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ANALYSIS AND RECOMMENDATIONS FOR IMPROVEMENT OF THE INVESTMENT PROMOTION LAW, BY-LAWS AND REGULATIONS FOR THE INVESTMENT PROMOTION CORPORATION

FINAL REPORT

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Executive Summary

Overview

The Services Group (TSG) was contracted by the United States Agency for International Development (USAID), under the four-year AMIR Program, to examine the internal operations and procedures of the Investment Promotion Corporation of Jordan (IPC) and to analyze and make recommendations on the Investment Promotion Law, By-laws and Regulations that govern the IPC's operations. TSG was assisted in this project by the law firm of Nabulsi & Associates in Amman, Jordan.

The report presents an analysis of the IPC's existing operational environment and provides recommendations for reform based on worldwide best practices in investment promotion. There are four key issues, in particular, that impede the IPC's ability to function in an efficient and pro-active manner:

- The current **institutional framework** provides for a seemingly autonomous promotion agency on paper; in practice, however, the IPC has very limited autonomy and powers.

- The IPC lacks appropriate **delegation of powers** both to the agency as a whole and within the agency itself, which prevents it from operating in a more efficient, and ultimately, effective manner.

- The IPC continues to be constrained by the same **administrative procedures and systems** that burden other government departments and agencies throughout Jordan. The IPC's adherence to such procedures impacts negatively on investors.

- The IPC, under its current mandate, must dedicate a significant proportion of its resources to its regulatory functions, such as **incentive approvals and monitoring**, restricting the resources available to carry out its promotional activities.

Recommendations for Reform

The following sections provide an overview of the findings of the study and recommendations for reform. The recommendations are designed to remove the constraints that impede the IPC's operations and to create a world class legal and regulatory environment that will permit the IPC to realize its full potential, with more resources dedicated to its core mission, the promotion and facilitation of investment into the Kingdom. To this end, the reforms aim to create an agency with:

- a strong degree of autonomy in terms of its administration and management;
- a private-sector driven approach;
- streamlined administrative procedures for employment/ personnel, procurement and financial management; and
- streamlined investment approval procedures.

Institutional Structure

The Investment Promotion Corporation was established by provisions in the new Investment Promotion Law of 1995. The new law provided the agency with “financial and administrative independence,” though, in practice, the IPC has failed to achieve the level of autonomy required to operate in a truly independent manner.

The IPC has, in the past, been constrained by a general lack of support from other GOJ agencies, which has impeded its ability to operate effectively and to facilitate investment. While the new Committee for the Facilitation of Procedures for Investment Projects – the members of which are responsible for obtaining all the approvals from their respective government agencies - has greatly improved inter-agency and inter-Ministry relations and streamlined investment procedures, it is also recommended that the IPC be repositioned institutionally to provide it with the political support it requires to be effective and maintain the autonomy granted to it by law. Moving the IPC into the Prime Minister’s Office would provide the agency with the leverage it requires to facilitate investment into Jordan. A diagram of the new institutional structure is presented in Figure 1 below.

Figure 1
Recommended Institutional Structure for IPC

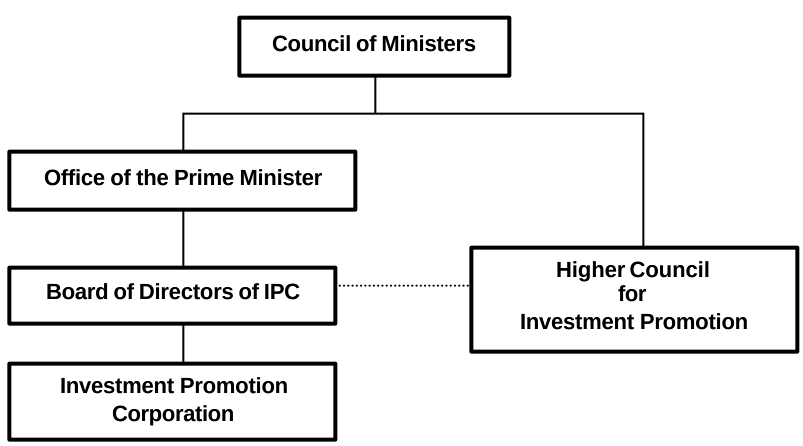


Table 1
Best Practices in Investment Promotion: Institutional and Organizational Structure, Operations, and Investment Approval

	International Best Practices	Existing IPC	Recommendations for Reform
Institutional Structure			
Institutional oversight	Successful agencies maintain a high degree of political commitment. In environments with history of bureaucratic delays, positioning the agency under the Prime Minister's Office can ensure a high-level of commitment to the agency's mission.	Department of Ministry of Industry	Move IPC to Prime Minister's Office
Degree of autonomy	World class agencies are granted a high degree of autonomy.	Relatively low	Implement recommended reforms to make IPC truly independent, both administratively and financially
Links/Liaison with other agencies	Successful agencies depend on good working relationships with relevant agencies, through both formal links and inter-personal relationships.	▪ "Investment Window" provides investors with one-stop shop applications ▪ Facilitation Committee, an inter-agency committee, ensures licensing and approvals within 15 days	Review progress after 6 months to ensure Committee's effectiveness
Board of Directors – Composition and Powers	In world class agencies, private sector-led Board ensures business-driven approach. Board is vested with all powers and functions to manage agency operations.	▪ Dominated by public sector. Private sector representation not guaranteed. ▪ Board not fully vested with powers to manage agency.	Increase private-sector representation on a Board that is vested with all the powers required to run the IPC

	International Best Practices	Existing IPC	Recommendations for Reform
Organizational Structure			
Delegation of Authorities	In world class agencies, the Board is vested with all powers and functions to manage agency operations. In turn, the Board delegates downward within the agency – to committees and individual staff positions – appropriate powers to effectively manage the agency's day-to-day operations.	The Board is vested with the authority to: ▪ supervise the administrative affairs of the IPC; ▪ suggest investment policies, determine priorities, and setting programs for submission to the Higher Council for approval ▪ approve the IPC's budget and financial statements ▪ approve financial and administrative instructions of the IPC ▪ determine fees for services ▪ appoint auditors ▪ establish branches of IPC within or outside Kingdom Some delegation of authority to Committee level, but little to individuals.	Give the Board the power to delegate its functions to committees and individuals within the IPC
Agency Functions	In countries where bureaucratic delays are common, promotion agency should carry out regulatory functions in order to ensure an investor-friendly environment	Carries out promotion, facilitation and regulatory functions.	In the short term, maintain regulatory functions within the IPC while streamlining process. In the medium-term, transfer functions to relevant government departments.
Employment Procedures			
Adherence to Civil Service Procedures	Government civil service procedures are often cumbersome and impede an agency's ability to attract and retain the most qualified personnel. World class agencies typically have more flexibility in hiring/firing, as well as employee compensation.	Council of Ministers has approved regulations for IPC, but defaults to Civil Service Ordinance on issues not addressed in regulations. IPC regulations are slightly more flexible, but are largely based on the Civil Service Ordinance. Hiring and firing practices adhere to Civil Service procedures while compensation scales are set higher than Civil Service Ordinance.	Draft new comprehensive regulations that release the IPC from the provisions of the Civil Service Ordinance. New regulations should be more flexible in terms of personnel management.

	International Best Practices	Existing IPC	Recommendations for Reform
Procurement Procedures			
Adherence to Government Procurement Procedures	Agencies generally comply with basic principles of government procurement procedures while maintaining decision making autonomy.	No separate regulations approved – fully adhere to government-wide procedures, which are cumbersome.	Draft new regulations that provide IPC with full autonomy regarding purchasing, with no need to refer to outside bodies for approvals, as long as general principles of government procurement are respected.
Delegation of authorities	In successful agencies, proper delegation of authorities within an agency, to committees and individual staff positions, ensure efficiency.	Limited delegation of authorities regarding spending limits – must defer to central supply department for most purchases.	Delegate downwards within the IPC the ability to approve purchases.
Financial Controls			
Internal audit procedures	In successful agencies, an Audit Committee is established as a committee of the Board, which reviews the accounts of the organization and internal audit reports.	An internal control unit may be formed by the Minister.	Establish an Audit Committee as a committee of the Board, fully empower the Internal Auditor to undertake audits at the direction of the Committee, and establish e mechanism through a Management Committee to implement recommendations.
External audit procedures	In all successful agencies, it is accepted practice for the accounts of the agency to be audited by a third party.	External auditor is Government Audit Bureau, which is also part of procurement procedures.	Appoint a world class firm to act as external auditor.
Investment Approvals			
One-stop shops	The most successful agencies operate as one-stop shops, which take care of obtaining all required permits and approvals on behalf of the investor in a timely manner.	The new Facilitation Committee, with representatives from the most relevant government agencies, ensures that all approval and permits are obtained within 15 days.	Review progress of Facilitation Committee after 6 months to ensure effectiveness.
Delegation of authority	In successful agencies, streamlined procedures are ensured by delegating downward within the agency the power to grant approval of incentives.	Some delegation of authority to committee level.	Further delegate power to grant approvals to committees and individual positions. Reform incentives regime, replacing tax holiday scheme with a low, flat tax.

In addition, it is recommended that the law provide for a new Board of Directors, reporting directly to the Prime Minister's Office (versus the Higher Council) and be vested with all the powers and functions required to run and manage the IPC as a fully autonomous agency. In order to develop a more professional, business-like environment within the IPC, modifications of the existing Investment Promotion Law should be considered to ensure a private-sector majority on the Board of Directors. Strong private-sector representation will be useful in identifying the needs of investors and the obstacles they face in Jordan, ensuring a business-driven approach to the IPC.

In turn, the Higher Council will be limited in its involvement in the IPC's day-to-day activities and will, instead, focus on evaluating and recommending Jordan's investment legislation and strategies.

Delegation of Powers

The new organizational structure of the IPC, established following the recommendation of the 1997 FIAS study, *Promoting Foreign Direct Investment in Jordan*, re-focuses the IPC toward its promotion and facilitation functions, though incentives approval and regulation remains a large component of the agency's activities. While the new structure has gone a long way in improving the IPC's operational environment, the agency still suffers from a lack of adequate delegation of authorities within the agency. The result is the inability to operate in an efficient and effective manner, with undue delays in obtaining even minor approvals.

It is recommended that the IPC further restructure its organization to accommodate a greater degree of delegated authorities. While some committees have already been established, a more comprehensive set of committees should be created, with their respective powers delegated to them by the Board. Most of the existing committees have been created through agency rules and regulations, however one key committee, the Investment Promotion Committee, was created through provisions in the Investment Promotion Law (Article 21). Instead, it is recommended that all committees be created and vested with their powers by the Board, rather than by law. In turn, these committees, where appropriate, should further delegate powers downward to individual positions within the agency.

Administrative Systems

The new Investment Promotion Law was intended to create an investment promotion agency with the ability to operate in a streamlined and transparent manner, providing it with the flexibility required to effectively facilitate investment. While the new Investment Promotion Law does provide the possibility of creating a streamlined environment within the IPC, in practice the IPC remains constrained by many of the same bureaucratic procedures that often burden other government agencies throughout Jordan.

New regulations governing IPC operations, including those "pertinent to financial, procurement and employment affairs" may be issued by the Council of Ministers, according to Article (37) of the law. However, after more than three years in operation, the Council of Ministers has only issued new regulations regarding one of these areas, employee affairs, which will be discussed below. Drafts for new regulations regarding IPC financial systems and procurement are presently underway, but have not yet been submitted to the Council for approval. Currently, existing State regulations continue to govern IPC operations in these two areas.

Personnel Management

While the Investment Promotion Law opened the door for the creation of a separate regulatory environment for the IPC, outside the Civil Service, the new regulations have had very limited success in creating a more flexible and business-like environment, instead re-creating the same rigid and bureaucratic environment found elsewhere in the public-sector. Instead, a new set of regulations for employee affairs should be drafted by the IPC and approved by the Council of Ministers.

While this is a complex area for which detailed recommendations are not in the scope of the present study, it is recommended that the new regulations should aim to create an environment more akin to the private-sector, including the elimination of unnecessary bureaucratic controls over recruitment and other employee affairs, an increase in salary scales, and an increased delegation of powers. A Personnel Committee, chaired by the Deputy Director General and with the membership of the four division directors and personnel manager, should be created and delegated the powers to:

- approve the filling of all vacancies within the agreed overall structure of the corporation;
- approve promotions, following consultations with the Director General;
- manage all staff and employment related issues; and
- review all staff related issues and propose documents for the Board on personnel related issues.

The new regulations should be comprehensive, eliminating the need to utilize a default mechanism to refer back to normal Civil Service regulations.

Procurement of Supplies

IPC operations are also constrained in the area of procurement Existing constraints stem from two sources: government-wide procurement procedures and internal IPC rules. The impact on the IPC is the inability to obtain required supplies in a timely manner.

After almost three years in operation, the IPC has finally begun to draft its own regulations for the procurement of supplies, to be submitted to the Council of Ministers for approval – an example of which is provided in Annex B. It is important that these new procedures do not repeat the same mistakes as the new IPC regulations for employee affairs, *i.e.* the adoption of the same bureaucratic controls and rigidities of existing GOJ regulations.

The new internal rules and regulations should be designed to reduce the administrative burden and increase spending limits. In particular, the numerous internal procurement committees should be collapsed into a single Executive Committee and the spending limits of the Director General and IPC Managers should be raised to more reasonable levels in order to provide the IPC with a more streamlined environment and appropriate delegation of powers that will improve the agency's efficiency.

Financial Controls

The existing regulations for financial controls, while providing for strong internal and external auditing procedures, are not in accordance with international best practice. In particular the IPC currently comes under the control of the Government Audit Bureau, which is involved not only in auditing the accounts of the IPC, but is also a part of the procurement procedures. The net result is a system of audits that hamper the effective administration of the IPC.

New regulations for the IPC should be drafted in order to bring the IPC up to best practices, including:

- the establishment of an Audit Committee as a Committee of the Board;
- the empowerment of the Internal Auditor to undertake audits at the direction of the Audit Committee;
- the establishment of a mechanism, through the Planning Committee, to implement the internal auditor's recommendations; and
- the appointment of external auditors from a world class firm.

The above reforms will ensure compliance with best accounting practice and should make it easier for the Government to allow the required autonomy to the IPC.

Investment Approval and Monitoring

Under the Investment Promotion Law, the IPC may grant two types of incentives to investors, tax holidays and duty-free import of approved fixed assets. While the IPC's approval and monitoring processes are relatively efficient, they can be further refined as these regulatory functions do divert valuable resources from the agency's promotional activities.

The new Facilitation Committee represents a significant leap forward and should be given every encouragement to succeed, as it will streamline investment procedures, facilitate inter-agency relations, and strengthen the market position of the IPC by establishing a "one-stop shop" concept. In addition, it reduces the resources that IPC staff must dedicate to following-up on approvals and licenses for investors.

While the IPC's implementation of its mandated regulatory functions is streamlined and efficient, the reform of the duty-free incentives scheme, can reduce the overall burden of its regulatory activities, enabling the IPC to devote more resources to its promotion activities and facilitation services. Resources could be released with the reform of the duty exemption program by the creation of a limited negative list, the removal of restrictions on spare parts, and removal of the floor on expansions. In effect, the approval of incentives would be "automatic", providing for duty exemptions on all fixed assets and qualified spare parts, pending approval of the investment by the Facilitation Committee. The existing monitoring procedures will be sufficient to ensure compliance. Over time, though, such regulatory functions could be transferred to the Customs Department, as long as it can be assured that the required regulatory functions could be executed in an investor-friendly environment.

Similarly, the reform of the corporate tax incentive scheme would further ease the administrative burdens of the IPC. While further analysis would be required to develop an appropriate package of tax incentives, replacing the tax holiday scheme with a low, flat rate of taxation would greatly simplify the investment process and allow the IPC to focus on its primary mission, investment promotion, while, at the same time, offering investors attractive incentives for locating in Jordan. In the interim, the incentives approval and monitoring process could be transferred to the Tax Department, as long as it can be assured that the required regulatory functions could be executed in an investor-friendly environment.

These reforms would ease the administrative burden of screening and monitoring while, at the same, further streamlining the approval process for investors. The goal should be to relieve the

IPC of its regulatory functions within an 18-month period. This would allow the IPC to focus fully on its core mission, the promotion of investment into the Kingdom.

Legal Reform

In order to implement the above recommendations, amendments to the Investment Promotion Law No. (16) of 1995 and Regulation No. (2) of 1996 (the Regulation of the Investment Areas and Sectors) will be required to:

- change the institutional structure of the IPC, transferring it to the Prime Minister's Office and providing for a private-sector dominated Board of Directors;

- vest the Board with all the powers required to effectively manage the IPC, including the authority to delegate its powers downwards within the Agency; and

- simplify investment procedures, including obtaining necessary approvals and permits, as well as incentives.

Model text for these amendments is provided in Annex A.

In addition, the following laws and regulations need to be amended in order to allow the IPC to effectively facilitate the approval of required licenses and permits:

- Companies Law No. (22) of 1997;
- Vocational Licenses Law No. (38) of 1972;
- Chambers of Commerce Regulation No. (58) of 1961;
- Chambers of Industry Regulation No. (59) of 1961;
- Industry and Trade Law No. (18) of 1998;
- Commercial Record Regulation No. (130) of 1966;
- Trademarks Regulation No. (1) of 1952;
- Tradenames Law No. (30) of 1953;
- Patent Law No. (22) of 1953;
- Labour Law No. (8) of 1996;
- Residency and Foreigners' Affairs Law No. (24) of 1973;
- Landlords and Tenants Law of 1994;
- The Law of Sale and lease of Immovable Property to Foreign Nationals No. (40) of 1953;
- Water Subscription Regulation No. (67) of 1994;
- Regulation for Connection Application Fees and Public Sewage Benefit Fees No. (41) of 1986; and
- Stamp Duties Law No. (27) of 1952.

In addition, in order for the IPC to exercise its granted autonomy, the agency will need to draft its own regulations, tailored for the needs of IPC, to be submitted to the Council of Ministers for approval, including new regulations for employment and personnel management, procurement of supplies, and financial control in accordance with the general principles outlined above.

1 Introduction

1.1 Purpose of Study

The Services Group (TSG) was contracted by the United States Agency for International Development (USAID), under the four-year AMIR Program, to examine the internal operations and procedures of the Investment Promotion Corporation of Jordan (IPC) and to analyze and make recommendations on the Investment Promotion Law, By-laws and Regulations that govern the IPC's operations. TSG was assisted in this project by the law firm of Nabulsi & Associates in Amman, Jordan.

The IPC is the official agency of the Government of Jordan (GOJ) charged with promoting inward investment to and domestic industry in the country. Since 1992, the GOJ has been initiating policy reforms to accelerate inflows of investment, however the inflows have been below expectations. Jordan is in a region of the world that has been among the least attractive in attracting foreign investment, and within that region it has attracted less foreign investment than most other countries. To address this issue the GOJ intends to strengthen the capacity of the IPC to market Jordan to prospective foreign investors. However, the IPC finds itself constrained in its efforts to act in pro-active manner and to deliver world-class customer service by its adherence to the time consuming procedures prescribed in its existing legal and regulatory framework.

The objective of this study is to identify the key legal and regulatory issues constraining the IPC's operations and to make recommendations to modify the existing framework, based on world wide best practices in Investment Promotion Agencies, to improve the IPC's operating environment.

1.2 Methodology

Two TSG consultants, Mr. David Lovegrove and Ms. Sheri Pitigala, have conducted interviews with the management and staff of the IPC during their field missions to Jordan in March and June 1999. In addition, during their two visits, the consultants have obtained copies of the laws, by-laws and regulations that are impacting the IPC's operating environment. These documents were submitted to a Jordanian legal consultant, Ms. Lana Salameh of Nabulsi & Associates, for translation and interpretation and were studied in detail in the course of the study.

The recommendations for legal and regulatory reform are the result of an integrated approach, comprising:

- an evaluation of the experiences of world-class investment promotion agencies, particularly the Irish model, and the key components of their success, in terms of legal and regulatory frameworks for investment promotion agency operations and procedures; and
- an in-depth analysis of the existing legal, institutional and regulatory framework for the IPC, and identification of the key constraints on its performance;
- an in-depth analysis of the IPC's internal working procedures and systems; and
- an overview of the broader Jordanian legal and regulatory environment.

The result is a package of legal, regulatory, and procedural reforms – designed within the Jordanian context - that can move the IPC towards world-class status.

1.3 Structure of Report

This draft final report is based on the work completed during the consultants' two field missions to Jordan in March and June 1999. The following chapters of this report present the findings and recommendations of the study:

- Chapter 2 presents a brief overview of the key issues facing the IPC;
- Chapter 3 presents an evaluation of and recommendations for the institutional and organizational issues that impact the IPC's operations, including:
  - the IPC's place in the overall institutional structure of government,
  - the IPC's relationship with other government agencies,
  - the composition and powers of its Board of Directors, and
  - the IPC's internal organizational structure, functions, and delegation of authorities;
- Chapter 4 presents an evaluation of and recommendations for the IPC's internal rules and regulations regarding personnel management, procurement of supplies, and financial management;

- Chapter 5 presents an evaluation of and recommendations for the internal rules and regulations regarding incentives approvals for investment projects;

- Chapter 6 provides an overview of the study's recommendations for reform; and

- Chapter 7 presents an outline of the legislation which will require amending or re-drafting in order to implement the recommendations.

This report is supplemented by a series of annexes, including the following:

- Annex A includes model text for the recommended new legislation or amendments to existing legislation;

- Annex B includes an example of best practice purchasing procedures, as implemented in Ireland;

- Annex C provides a list of all documents reviewed in the course of this study; and

- Annex D provides a list of individuals and organizations consulted in the course of this study.

2 Overview of Key Issues and Recommendations

2.2 Key Issues

The following chapters present an analysis and recommendations for reform based on the findings of the study. There are four key issues, in particular, that impede the IPC's ability to function in an efficient and pro-active manner:

- The current **institutional framework** provides for a seemingly autonomous promotion agency on paper; in practice, however, the IPC has very limited autonomy and powers.
- The IPC lacks appropriate **delegation of powers** both to the agency as a whole and within the agency itself, which prevents it from operating in a more efficient, and ultimately, effective manner.
- The IPC continues to be constrained by the same **administrative procedures and systems** that burden other government departments and agencies throughout Jordan.
- The IPC, under its current mandate, must dedicate a significant proportion of its resources to its regulatory functions, such as **incentive approvals and monitoring**, restricting the resources available to carry out its promotional activities.

The following chapters provide an overview of the findings of the study and recommendations for reform. The recommendations are designed to remove the constraints that impede the IPC's operations and to create a world class legal and regulatory environment that will permit the IPC to realize its full potential, with more resources dedicated to its core mission, the promotion and facilitation of investment into the Kingdom. To this end, the reforms aim to create an agency with:

- a strong degree of autonomy in terms of its administration, decision-making and management;
- a private-sector driven approach;
- streamlined investment approval procedures; and
- streamlined administrative procedures for employment/ personnel, procurement and financial management.

3 Institutional and Organizational Structure

3.1 Overview

The IPC was established in 1995 under provisions of the 1995 Investment Promotion Law [Law No. (16) of 1995]. This new Investment Promotion Law, which entered into effect in September 1995, replaced earlier investment legislation, including the Encouragement of Investment Law No. (11) of 1987 and the Law Regulating Arab and Foreign Investments No. (27) of 1992. The new law was designed with the intention of increasing transparency and reducing constraints on foreign investments, particularly non-Arab foreign investments. Moreover, the creation of the IPC was intended to produce a more streamlined and independent promotion agency, capable of facilitating the desired levels of foreign investment into Jordan.

While much of the language in the new Investment Promotion Law appears to grant a relatively high degree of autonomy to the IPC, which is required to create an effective and business-like promotion agency, in practice the institutional structure limits the agency's authority and power, undermining its effectiveness.

Several issues need to be addressed in order to increase the IPC's effectiveness, including:

- the IPC's lack of high-level support within the government;
- the lack of adequate private-sector representation within the IPC Board of Directors and its limited powers; and
- the lack of adequate delegated authorities within the agency.

3.2 Institutional Structure and Liaison with Other Agencies

Best Practices in Institutional Structures

The choice of an institutional framework for an investment promotion agency is a complex process that must take into consideration existing constitutional and institutional arrangements within each country. No "ideal" model exists as a blueprint for institutional reform. However, three key factors can be identified that strongly influence the success of a national promotion agency:

- a strong degree of institutional autonomy and authority can de-politicize the investment regime, ensuring policies that are geared toward economic success;

- a "one-stop" investment approval process, with formal links with relevant government agencies and streamlined procedures, can improve inter-agency cooperation, as well as reduce the burden on investors; and

- a private sector-led approach, which promotes best practices in agency management and administration, as well as ensures that the interests of the private-sector, who the agency is designed to serve, is kept at the forefront.

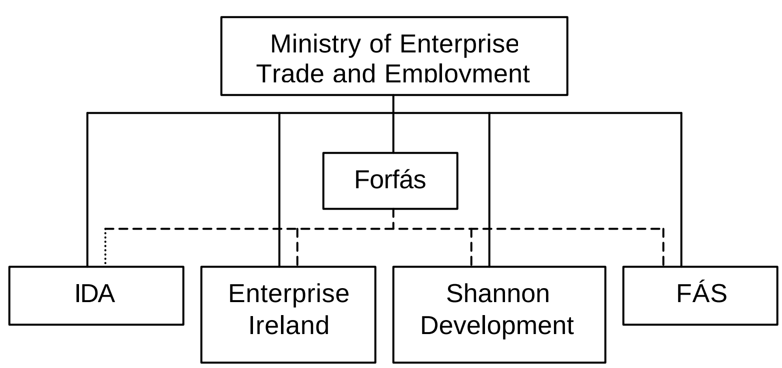
A successful institutional structure must balance the need for agency independence with the need for cooperation with other government agencies, a balancing act which requires a high-level of support within the government.

Text Box 3.1
The Irish Industrial Development Agency

The Irish Industrial Development Agency (IDA) is the key agency responsible for attracting foreign investment into Ireland. Other development agencies, described below, are responsible for different aspects of Ireland's industrial development:

- Enterprise Ireland is responsible for promoting and developing indigenous industry;
- Shannon Development is responsible for the promotion and development of the mid-west region, including the Shannon Free Zone;
- FÁS is responsible for the provision of industrial and related training services.

All four agencies report directly to the Minister for Enterprise Trade and Employment on all matters relating to their operational functions. In addition, in 1994 the Government established a new structure for the investment promotion agencies, which was amended in 1998. A new agency, Forfás, was created as an umbrella organization, also reporting directly to the Minister, which coordinates the activities of the other development agencies and is responsible for the policy and strategy development for the enterprise sector.



While no single institutional model is a guarantor of success, one way to assure high-level support is to place the agency directly under the authority of the office of the head of state, so that its chief executive officer can directly report bureaucratic constraints to the one office that can ensure government-wide cooperation. Without this level of strong, ongoing support, other agencies are likely to push strongly to retain their discretionary powers. International experience demonstrates that, in the case of emerging economies, promotion agencies operating directly under the office of the Prime Minister can achieve a higher degree of success.

While an agency's autonomy within the government structure may be assured, it is also paramount that the agency have a productive working relationship with other key government agencies involved in the industrial development process. Close working relationships with relevant Ministries and Government departments is critical to the success of an investment promotion program.

Basically there are two ways in which delays and bureaucracy with other Government departments can be minimized:

- by locating an official from each of the relevant departments at the promotion agency so that they can handle all issues relating to their department and relate to colleagues with agreed time-scales; or

- by establishing formal links, at senior levels, in the relevant departments with specific time-scales for handling information requests, license applications, etc.

Experience demonstrates that the latter option is far more successful and productive as the commitment of a senior official, with the authority to take decisions, is obtained and deadlines agreed. With the former, it is normally a junior official that is assigned on a part-time basis.

For example, the IDA maintains links at two-levels to ensure an effective working relationship:

- formal links established both through the representation of key agencies on its Board of Directors or the Board of Forfás and through formal committees; and

- informal links established between individual executives.

It is the latter method which is most frequently used, with the formal relationship being called upon when difficulties arise. One of the roles of Forfás is to coordinate the activities of all the development agencies in Ireland – including the IDA, Shannon Development, Enterprise Ireland, and FÁS. This role also extends to networking with all relevant Government departments.

The important fact here, and one to which all promotion agencies are striving, is a seamless service for the promotion of an investment project. The aim is to provide a service that will allow the investor to obtain all the necessary licenses and permits in a trouble-free manner. Investment promotion agencies world wide are constantly reviewing all their requirements and procedures to ensure that they are as simple as possible. In addition, it is preferable for the investor to interface with as few different agencies as possible, ideally with only one agency, providing a "one-stop" service on behalf of the other government agencies.

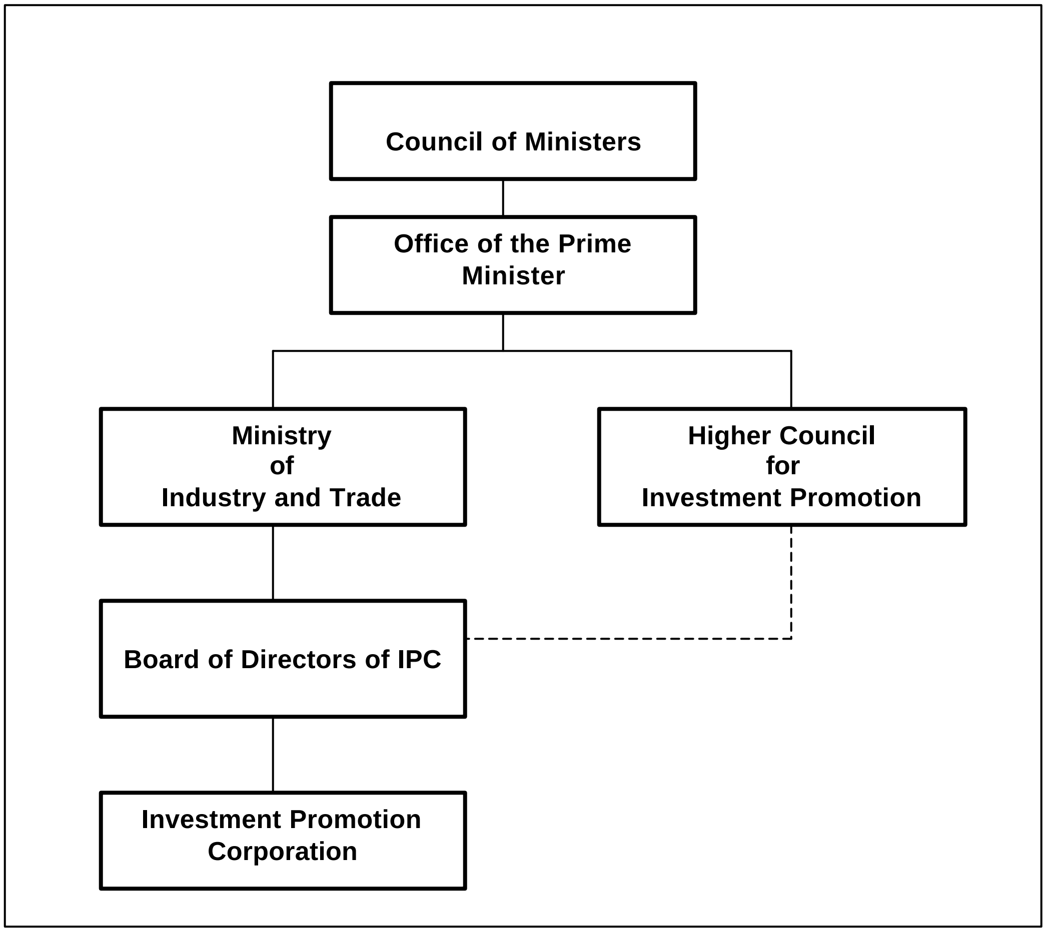
IPC Institutional Structure and Liaison with Other GOJ Agencies

Under the existing Investment Promotion Law, the IPC operates as a department under the Ministry of Trade and Industry, with the Minister acting as the Chairman of the IPC's Board of Directors (see Figure 3.1 below). In addition, a Higher Council for Investment Promotion has been created to approve the nation's investment strategy and policies. The findings suggest that, as a result of this particular structure, the IPC sometimes finds itself constrained in its operations by the actions and/or decisions of other Ministries, as each Ministry has sought to retain their discretionary powers, often impeding the IPC from obtaining the required degree of high-level support to carry out its mission.

When the consultants visited Jordan in March 1999, the lack of liaison with and assistance from other Ministries was most apparent. In fact it was of such importance that it was seriously impacting not only on the IPC, but also on investors locating in the country due to delays and bureaucratic impediments.

For instance, Article (14) grants the Minister of Trade and Industry the right to issue a decision to license a project if the relevant ministries or authorities fail to issue a reasoned decision. In practice, this issue has only come to pass once since the IPC's inception, according to IPC management. In this case, the relevant Minister refused to honor the decision of the Minister of Trade and Industry, thereby undermining the powers granted to the IPC under the Investment Promotion Law and limiting its ability to effectively facilitate investment.

Figure 3.1
Current Institutional Structure of the IPC



The Investment Promotion Law, under Article (14), provides for the establishment of an "investment window", a "one-stop shop"-style arrangement, to obtain all the necessary licenses and approvals for investment projects. In May 1999, after more than three years of operations, this "investment window" was established by the Council of Ministers through the creation of the Facilitation of Procedures for Investment Projects Committee (hereunder referred to as the "Facilitation Committee"). This is a new high-level Facilitation Committee headed by the Director General of the IPC, established to formalize inter-agency relations and to streamline the process of granting relevant licenses and approvals for projects. According to the new regulations, all approvals (or rejections) must be provided to the investor within 15 days of the application.

Recommendations for Institutional Reform

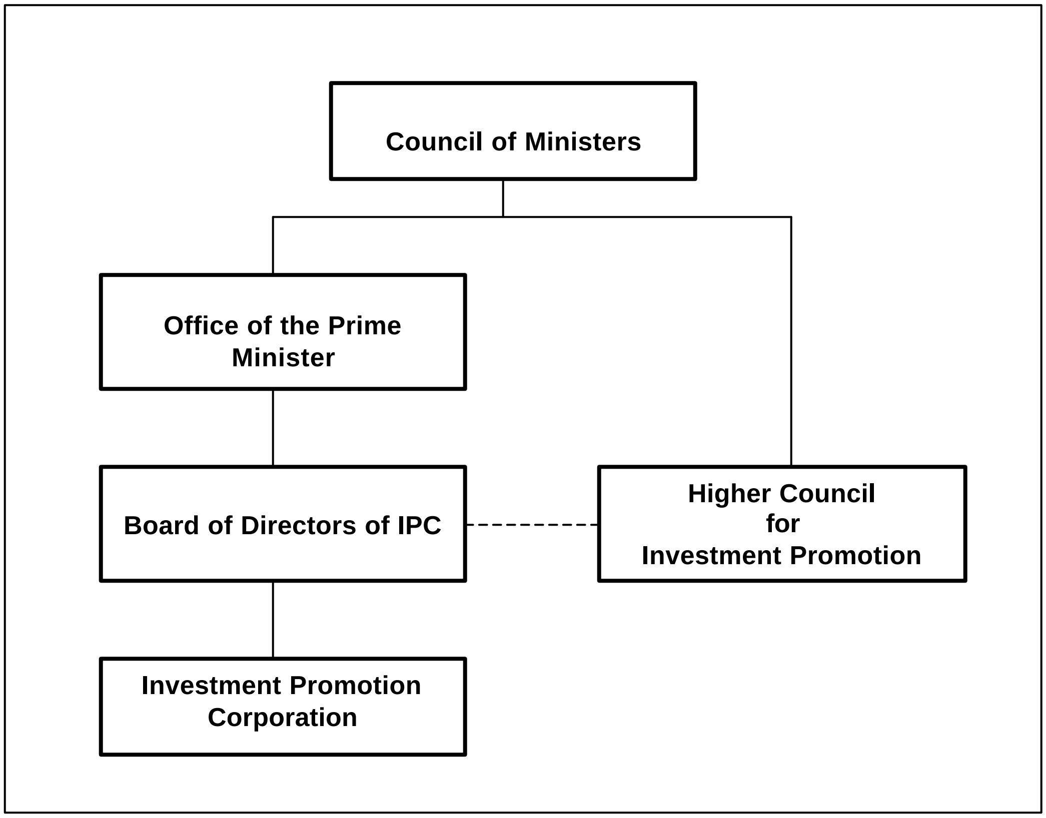
The Facilitation Committee represents a significant leap forward and should be given every encouragement to succeed, as it will facilitate inter-agency relations, streamline investment procedures, and strengthen the market position of the IPC by establishing a "one-stop shop" concept. In addition, it reduces the resources that IPC staff must dedicate to following-up on approvals and licenses for investors. This new system should be fully reviewed after six months to ensure it is working effectively, as intended. In addition, an audit trail of investor contacts with GOJ departments after the licenses and approvals are obtained through the Facilitation Committee to ensure that the licenses and permits are fully accepted and to identify what other areas of bureaucracy require attention. The success of this Committee would make unnecessary the need for the legal clause providing the Minister the right to grant decisions within 30 days as a default mechanism.

Despite the establishment of the new Facilitation Committee, there is still a need to re-examine the location of the IPC within the larger institutional structure (see Figure 3.2 below). Having considered the situation within the context of Jordan and the need to increase the flow of new investments into the Kingdom, it is recommended that the IPC be re-located to come under the control of the Prime Minister's Office, which would provide the agency with the power and authority necessary to effectively carry out its duties under the Investment Promotion Law by:

- ensuring that the IPC receives the maximum political support within the public service sector;
- providing the IPC with a direct line to the Prime Minister in identifying and removing obstacles to investment; and
- foreign investors will see Jordan as serious in its intentions to welcome investment and will appreciate that, should they encounter difficulties, a direct line to the Prime Minister's office would be available.

In addition, it is recommended that the law provide for a new Board of Directors, as outlined in the subsequent sections. The new Board should report directly to the Prime Minister's Office, versus the Higher Council, and be vested with all the powers and functions required to run and manage the IPC as a fully autonomous agency.

Figure 3.2
Recommended Institutional Structure of the IPC



In turn, the Higher Council should be retained as a policy and strategy advisory group, reporting directly to the Council of Ministers. In re-defining the responsibilities of the Higher Council it is necessary to ensure that:

- it is restricted primarily to policy *formulation* for ultimate approval by the Council of Ministers; and
- it does not, in any way, impact on the day-to-day running and management of the IPC.

In order to improve links between the IPC and other agencies responsible for promoting industrial development in Jordan – such as the Free Zones Authority, the Industrial Estate Corporation, JEDCO, and VITIC, which come under the authority of different Ministries – it is recommended that a greater degree of coordination be introduced. While each body could retain its own promotion functions, it is important that these bodies work with each other in order to insure that prospective investors are not confused or discouraged by mixed or conflicting messages. The Irish model provides an example of how the various industrial development agencies can work in a coordinated manner to present a consistent message to investors.

3.3 Board of Directors: Composition and Powers

Best Practices in Boards of Directors

While most investment promotion agencies are government organizations, they are obliged to render a professional service, and to manage investors and projects in a way that is not customary to typical government institutions and procedures. In world class promotion organizations, the Boards of Directors are composed of prominent and influential persons from the private-sector, who by their success and stature in business and industry not only understand the nature of the mission of the promotion organization, but are willing and able to act as a buffer between the promotion agency and the forces of regulation and bureaucracy that seek to coerce it into conformity with standard government practice.

In addition, in world class agencies the Board of Directors is vested with the necessary powers to ensure effective management and administration of the agency, including the development of internal rules and regulations over employee affairs, procurement, and financial management – once again, to insure the agency against the pitfalls of government bureaucracy that can reduce an agency's efficiency, as well as its effectiveness to facilitate investment.

IDA Ireland model provides an illustration of the powers and composition of the Board of Directors of a world class promotion agency. The IDA has its own Board of Directors, with the majority of its 12 members, as well as its Chairman, selected from amongst the most prominent leaders in the private sector. The rules and regulations relating to the Board are set out in various Industrial Development Acts. All the functions and powers required to run the agency are vested, by legislation, in the Board, including the power to delegate its powers to committees and individuals within the agency.

The IDA Board is responsible for the management and control of the agency within the scope of the legislation. It is free to make its own decisions within prescribed budgetary limits. The legislation clearly sets out the functions of the Agency, as well as the limits on incentives – only the largest projects are submitted to the Cabinet for approval. While the IDA is required to comply, generally, with State guidelines in respect of procurement, employment, and financial management, its internal rules and regulations are tailored to the working requirements of the agency.

Internal rules and regulations, in so far as they impact on the efficiency of the organization and/or on investors, are constantly under review by the agency itself and revised appropriately as required.

IPC: Board of Directors, Composition and Powers

Board Composition

Under the Investment Promotion Law, the private-sector is granted adequate representation on the Higher Council for Investment Promotion, accounting for five out of a total of twelve members. The participation of the private-sector on this policy-making body can ensure that private-sector interests are given due consideration in the formulation of appropriate investment policies, which are at the heart of investment promotion.

However, at the Board level – which both supervises the IPC's operations and drives the policy-making process - and within the IPC, adequate private-sector participation, while not prohibited, is, at the same time, not ensured by the existing Investment Promotion Law. Under the Investment Promotion Law, the Board members of the IPC are to be selected from among the twelve members of the Higher Council, with the Minister acting as the Chairman of the Board. The law provides for a maximum of seven Board members, including the Director General of the IPC. With a Board of the maximum size, simple arithmetic dictates that at least one Board member will be selected from among the private-sector members of the Higher Council. However, there is no provision guaranteeing more than one private-sector representative, or even one representative should the Board be comprised of less than the maximum of seven members. Currently there are only two (?) private-sector Board members.

Functions and Authorities of the Board of Directors

Article (18) of the current Investment Promotion Law sets out the authority and functions of the Board of Directors, including the following:

- Supervising and following up the administrative affairs of the IPC;
- Suggesting the investment policies of Jordan, determining its priorities, setting programs and plans, and submitting them to the Higher Council for approval;
- Approving the IPC's budget, auditors' report and final financial statements;
- Approving the financial and administrative instructions of the IPC;
- Determining returns of services rendered by the IPC;
- Appointing licensed auditors; and
- Establishing branches of the IPC anywhere within or outside Jordan.

In addition, Article (13) of the Investment Promotion Law states:

> "According to the provisions of this law a corporation named 'The Investment Promotion Corporation' shall be established which enjoys a legal personality *with financial and administrative independence*." (emphasis added)

While the law may state that the IPC has financial and administrative independence, this is certainly not the *de facto* situation.

Under the current system, there are several issues relating to the Board that do not measure up to world class standards with regard to investment promotion agencies. For example, it does not have the power of approval for the expenditure of sums of money under its control. Instead, the IPC must refer to outside sources, such as the Audit Bureau, to get approval for expenditures. Such issues are addressed in detail in subsequent sections.

The effect on the IPC has been the absence of a professional, business-like environment. Rather than being driven by the business approach of the private-sector, which is at the heart of investment promotion, the IPC is firmly entrenched in a bureaucratic environment.

Recommendations for Reform

In order to develop a more professional, business-like environment within the IPC, modifications of the existing Investment Promotion Law should be considered to ensure a higher proportion of private-sector participation at the Board and management levels. Strong private-sector support and commitment will also be useful in identifying the needs of investors and the obstacles they face in Jordan. In addition, the presence of leading business figures can have a profound impact on investor perceptions as evidence of Jordan's commitment to welcoming investors.

In order to achieve these objectives, it is recommended that the current law be reformed to provide for a new Board of Directors, appointed as follows:

- all Board members should be appointed by the Council of Ministers;
- it shall be comprised of 12 members of which no more than five shall be from the public sector, with the remainder from

the private sector, provided that the Director General of the IPC is among them (with his/her origin from either the public or private sector counting towards the balance of Board membership) and that there is one representative from the Ministry of Trade and Industry;

- the Chairman and Deputy Chairman shall be selected from the private sector and approved by the Prime Minister;

- the Board shall report to the Prime Minister's Office; and

- it shall have assigned to it all powers and functions required to run and manage the IPC as a fully autonomous agency, as discussed in detail below.

It is essential that the position of the IPC is further enhanced within the business community of Jordan. In addition, its effectiveness and its ability to make decisions within its own structure are powers that would be expected of any investment promotion agency. It will be necessary for the Board to assume all its powers and functions over the administration and management of the agency and, in turn, delegate some of these powers to lower levels within the agency in order to remove the IPC from the bureaucratic regime in which it is currently embroiled. Specific recommendations are provided in the subsequent sections of this report.

It is recommended that Articles (17) and (18) of the Investment Promotion Law be amended so as to allow the Board to meet on a monthly basis with the functions and authorities of:

- all those specified in Article (18) of the Investment Promotion Law;

- a provision for the Board to delegate its functions to committees and executives within the IPC; and

- in addition, in order to facilitate the Board members, the meetings should be held at a fixed time (*e.g.* the second Tuesday of each month at 2:30pm), with the dates fixed one year in advance.

3.4 Agency Organization, Functions, and Delegation of Authority

Best Practices in IPA Organizational Structure and Delegation of Authority

The most successful investment promotion agencies are characterized by business-like management structures and systems - including a Board of Directors, Chief Executive Officer/managing director, and departmental administrators. While some institutional frameworks provide more flexibility in establishing such organizational structures, government institutions, if granted the required autonomy, can adapt their systems to approximate the requisite management features.

The organization of a promotion agency is largely dictated by its range of functions and responsibilities. There are several "core" functions that almost all investment promotion agencies undertake, though priorities between functions varies widely from agency to agency:

- *Investment Promotion and Facilitation*, including pro-active, targeted investment promotion, passive "image building" campaigns, and investment services, such as investment counseling and other pre-investment liaison services;

- *Investment Approval and Regulation*, including screening and approving investments, conferring standardized or customized fiscal incentives and concessions, and monitoring compliance; and

- *Implementation Support*, including directly or indirectly providing all necessary secondary licenses and permits required for the enterprise to become operational and "troubleshooting" problems of investors.

In addition to these core functions, different agencies undertake a variety of other functions, including development and/or management of industrial estates or free zones, import/export facilitation, Customs control, equity financing, and investor matchmaking.

While some of these additional functions can enhance an agency's ability to offer one-stop assistance to investors, such additional functions can create conflicts of interest and can detract from an agency's effectiveness. At the operational level, multiple functions mean large staffing requirements, complicated procedures, and added paperwork - all of which can affect the operational effectiveness of the organization's basic functions and services. At a purely conceptual level, conflicts of interest can arise when part of an agency is promoting and facilitating investment, while another part is regulating and monitoring enterprises. However, it is accepted practice, particularly in a country with a history of bureaucratic controls and delays, for the required regulatory functions to be carried out by the principal promotion agency in order to ensure an investor-friendly environment.

An agency's functions dictate to a large extent its internal organizational structure. For example, the IDA, like other promotion agencies, carries out a wide variety of functions, including the following:

- Investment promotion and facilitation, including the promotion/marketing of Ireland as an investment destination to overseas investors and encouragement of the expansion of existing overseas companies; and the dissemination of information on investment in Ireland;
- Investment approval and regulation, including the screening of investment, and the provision of incentives and approval of grant aid to qualified investors; and
- Implementation support services and property management.

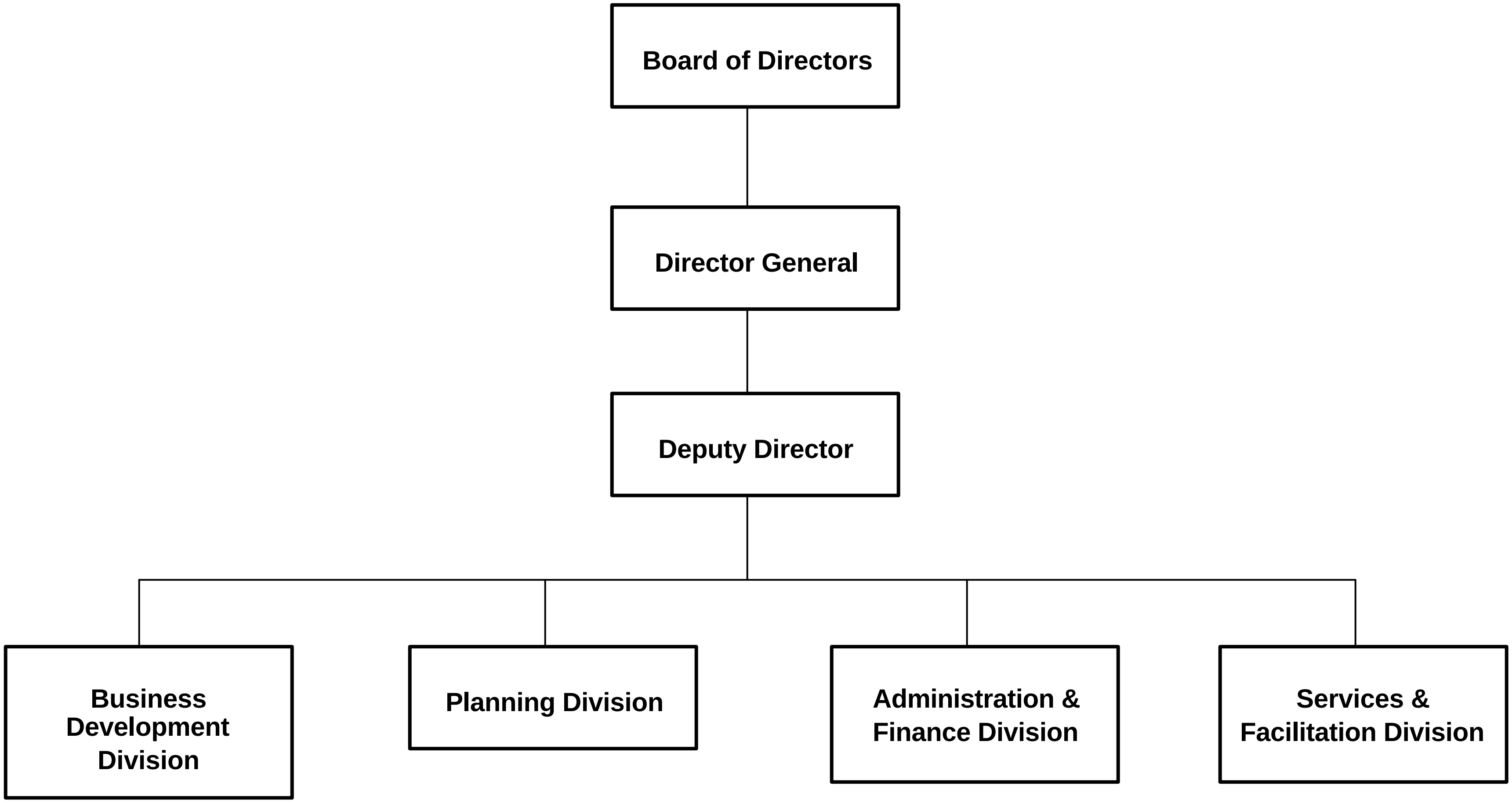
In support of its functions, the IDA is roughly divided into two areas of activity: promotion and administration. The Promotional divisions cover overseas and regional offices, marketing, incentives approval, and after care services. The Administrative divisions cover the following: personnel, accounts, grants payments, IT systems, etc. It has always been IDA policy to keep all the functions within one agency so as to ensure that the administrative and regulatory staff provide as good a service to the investors as do the marketing staff.

In addition, within world class investment promotion agencies, effective management is ensured through appropriate delegation of authority within the agency. As mentioned in the previous section, the IDA Board of Directors has all its powers and functions required to run the Agency vested in it by legislation. The Board, in turn delegates most of these powers to Committees, which it establishes, and to specific positions or level of staff within the Agency. For example, the power to amend incentives packages is delegated to positions (*e.g.* Secretary, Manager of Grant Payments Division, etc.), while power to approve expenditures is delegated to levels of staff (*e.g.* Divisional Manager level, Section Head level, etc.).

IPC: Organizational Structure and Delegation of Authority

The organizational structure of the IPC is demonstrated in Figure 3.3 below. This current structure is a vast improvement over its original structure, which was fragmented and did not give adequate emphasis to investment promotion or investor servicing, and was instead focused on its regulatory functions. In 1998, following the recommendations of the 1997 FIAS study, *Promoting Foreign Direct Investment in Jordan: Policy, Strategy, and Institutions*, the IPC was re-organized. The new structure re-focuses the IPC toward its promotion and facilitation functions, though incentives approval and regulation remains a large component of the agency's activities.

Figure 3.3
Organizational Structure of the IPC



While the new organizational structure has gone a long way in improving the IPC's operations, the agency still suffers from a lack of adequate delegation of authorities within the agency. While some committees have been created and granted certain powers within the agency – including an Investment Promotion Committee, a Personnel Committee, a variety of Procurement Committees, and a Technical Committee for incentives – their powers remain somewhat restricted and little authority has been delegated downward to individual staff positions within the agency. These issues are discussed in greater detail in the following chapter.

Recommendations for Reform

It is recommended that, in the short-term, the IPC be kept as a single agency, retaining all the functions of attracting inward investment. By keeping the regulatory functions attached to the marketing and facilitation functions, it is more certain that these functions will be carried out in an investor friendly environment. This is due to the fact that the administrative staff will be able to share in the successes of the organization and will share its objective of providing a world class service to investors. Nevertheless, the IPC's retention of its regulatory functions would continue to divert scarce resources from its core mission of investment promotion. In the longer run, the IPC should examine the option of transferring its regulatory functions to the relevant Ministries and Departments. However, this should only be executed if and when it can be assured that they are committed to carrying out these functions in the most investor-friendly environment possible. In the meantime, it is recommended that the IPC fully implement the organizational structure as outlined in the 1997 FIAS study, which will provide it with a strong orientation toward its core functions – investment generation and facilitation.

It is recommended that the IPC further restructure its organization to accommodate a greater degree of delegated authorities. While some committees have already been established, a more comprehensive set of committees should be created, with their respective powers delegated to them by the Board. Most of the existing committees have been created through agency rules and regulations, however one key committee, the Investment Promotion Committee, was created through provisions in the Investment Promotion Law (Article 21). Instead, it is recommended that *all* committees be created and vested with their powers by the Board – or through other regulations, such as the Facilitation Committee - rather than by law. Table 3.1 below provides a brief description of each of the recommended committees, including their composition, functions, and further delegation of authorities. Details regarding the recommended delegated authorities are provided in the following chapter.

Increased delegation of authorities will reduce bureaucracy, speed up decision making, enhance job content, and build a more successful organization.

It is also recommended that serious consideration be given to re-locating the IPC from its current location to a new, modern office block located in the business center of Amman. If this is done, it is possible that the marketing, incentives approval, and facilitation staff relocate while the administrative staff remains in the current office, if required. However, for such an arrangement to be effective, greatly improved Intranet communications within the agency will be required.

Table 3.1
Committee Composition, Functions, and Delegations

Committee Name	Composition	Functions	Delegation of Authority
Facilitation Committee	▪ Director General – chair ▪ Representatives from: - Ministry of Municipal & Rural Affairs & Environment; - Ministry of Tourism & Antiquities; - Ministry of Interior; - Ministry of Finance; - Ministry of Agriculture; - Ministry of Energy; - Natural Resources Authority; - Water Authority; - Ministry of Health; - Ministry of Trade & Industry, - Amman Municipality	To meet every two weeks: 1. To receive applications from investors. 2. To obtain through its members all necessary approvals from their respective departments, within 15 days.	None
Audit Committee of the Board of Directors	▪ 4 members of Board (2 private sector, 2 public sector members) – chair appointed by Board from amongst private sector members ▪ Representative from Audit Bureau	To meet quarterly: 1. To review the financial transactions of the IPC. 2. To ensure best practice is maintained in all financial procedures and ensure compliance with best practice in corporate governance. 3. To review the reports of the internal auditor. 4. To review the quarterly accounts for submission to the Prime Minister. 5. To review the annual accounts of the IPC for recommendation to the Board.	None
Executive Committee	▪ Director General – chair ▪ Deputy Director General ▪ Director of Administration & Finance Division	To meet as necessary: 1. To approve items of expenditures of up to JD 25,000. All items in excess of JD 25,000 to be submitted to Board for approval. 2. To approve amendments to internal procedures relating to procurement.	Delegation of approval limits as follows: ▪ Director General: JD 15,000 ▪ Deputy Director General: JD 10,000 ▪ Divisional Director: JD 5,000

Committee Name	Composition	Functions	Delegation of Authority
Investment Promotion Committee	▪ Director General – chair ▪ Director General of Customs ▪ Director General of Internal Revenue ▪ Representative of Ministry of Industry & Trade, appointed by Minister ▪ Representative of private sector, appointed by Chairman of Council	To meet monthly: 1. To review applications and reach decisions within 30 days. 2. To approve additional exemptions pursuant to Investment Promotion Law of 1995. 3. To review objections on Committee's decisions. The decision of the Committee to dismiss an objection will be subject to appeal to the Board.	To Director of Services and Facilitation Division
Technical Committee	▪ Deputy Director General – chair ▪ Director of Services & Facilitation Division ▪ Representative from Customs	To meet every two weeks: 1. To review new applications for incentives. 2. To provide recommendations on new applications for submission to Investment Promotion Committee for approval. 3. To review and approve amended applications.	To Director of Services and Facilitation Division
Finance Committee	▪ Deputy Director General – chair ▪ 4 Divisional Directors ▪ Financial Accountant ▪ Internal Auditor	To meet monthly: 1. To be responsible for the proper financial management of the IPC. 2. To allocate divisional budgets within overall financial allocations for submission to Board for approval. 3. To approve re-allocations within Divisional budgets and from one Divisional budget to another. 4. To approve the monthly financial statements of the IPC for submission to the Board.	None
Planning Committee	▪ Director General – chair ▪ Deputy Director General ▪ 4 Divisional Directors	To meet weekly: 1. To review management issues. 2. To plan major activities in the future. 3. To review policy documents for submission to Board for onward submission to the Higher Council. 4. To review performance against agency targets.	None

Committee Name	Composition	Functions	Delegation of Authority
Personnel Committee	▪ Deputy Director General – chair ▪ 4 Divisional Directors ▪ Personnel Manager	To meet monthly: 1. To review all staff-related issues and propose documents for Board on personnel-related issues. 2. To approve the filling of vacancies within agreed overall structure of the IPC. 3. To approve promotions, following consultations with Director General. 4. To generally manage all staff and employment related issues.	None

4 Agency Operations: Employee Affairs, Procurement, and Financial Systems

4.1 Overview

The new Investment Promotion Law was intended to create an investment promotion agency with the ability to operate in a streamlined and transparent manner, providing it with the flexibility required to effectively facilitate investment. While the new Investment Promotion Law does provide the possibility of creating a streamlined environment within the IPC, in practice the IPC remains constrained by many of the same bureaucratic procedures that often burden other government agencies throughout Jordan. In particular, Articles (13) and (15) of the Investment Promotion Law grant the IPC "financial and administrative independence," with an "independent budget". New regulations governing IPC operations, including those "pertinent to financial, procurement and employment affairs" may be issued by the Council of Ministers, according to Article (37) of the law.

However, after more than three years in operation, the Council of Ministers has only issued new regulations regarding one of these areas, employee affairs, which will be discussed below. Drafts for new regulations regarding IPC financial systems and procurement are presently underway, but have not yet been submitted to the Council for approval. Currently, existing State regulations continue to govern IPC operations in these two areas.

The following sections provide:

- an overview of best practices in each of these three areas,
- an evaluation of existing procedures of the IPC and the resulting constraints imposed on the agency, and
- recommendations on the reform of these procedures.

4.2 Employee Affairs

Best Practices in Employee Affairs

While most investment promotion agencies are institutionally part of the government, civil service procedures can hamper the effective personnel management. Best practice worldwide regards the staff of an investment promotion agency as its most important asset. In effect, the success or otherwise of a promotion agency depends on the quality of its staff. For this reason a lot of money and effort is devoted to:

- recruiting the best staff possible, typically from the private sector;

- providing incentives for them to stay;
- ensuring they are properly trained for the job;
- ensuring their pay and facilities are sufficient to compensate for the important job they are undertaking; and
- providing constant upgrading of skills and knowledge in work-related areas.

Government civil service regulations typically do not provide an environment that would facilitate a promotion agency's efforts to provide such a working environment. Exempting the investment agency from civil service rigidities in hiring, firing and employee compensation enables an agency to maximize its operating efficiency. In terms of employee compensation, civil service salaries are generally not sufficient to attract and retain qualified personnel and most civil service systems are not easily adapted to allow for performance-based commissions, bonuses or other rewards linked to success. Placing the investment agency outside the civil service means that there is greater flexibility in who can be hired, as well as providing the incentives required to recruit highly qualified personnel.

The Civil Service in Ireland is somewhat akin to the Civil Services in other countries in that it is regulated. However, for the IDA to operate effectively it needs different regulations relating to its staff. In general the pay scales are comparable to the *highest* level within the public sector, while the Agency has the power to reward its staff in other ways (*e.g.* merit awards for outstanding performance, a flexible approach to general working conditions). In the broadest sense, the IDA follows the general principles of public sector employment but with its own rules and regulations drawn up by its own Personnel Department, which are based on best practice in the private sector.

IPC Operations: Employee Affairs

Personnel management is not receiving the level of attention within the IPC that it should. The IPC General Policy for Employees Issues, which has been issued by the Council of Ministers, appears to have done little to free the IPC from the shackles of bureaucracy. These new regulations have, in many cases, adopted similar practices and procedures to those prevalent throughout other GOJ departments and agencies. In addition, those areas not covered by the new regulations continue to be governed directly by the existing Civil Service Regulations through a default mechanism.

The existing procedures impose several constraints on the IPC, impeding its ability to create the more business-like environment required for effective investment promotion.

- Rigid reporting structures and a limited delegation of powers have created an overly bureaucratic environment, restricting flexibility and efficiency. For instance, the Board must approve all new hires, including those for approved positions, which often leads to unnecessary delays in filling staff positions.

- The existing regulatory environment restricts the ability of the IPC to recruit adequately qualified personnel, given the bureaucratic procedures and low public-sector salary scales to which the agency must adhere, although the salaries are slightly higher than regular civil service salaries for equivalent employee classifications. In addition, the incorporation of specific salary ranges within the regulations themselves makes their adjustment complicated, as all changes must be submitted to the Council of Ministers for approval. The current regulations leave no room for added incentives, such as bonuses or awards for exceptional performance.

Recommendations for Reform

While the Investment Promotion Law opened the door for the creation of a separate regulatory environment for the IPC, outside the Civil Service, the new regulations have had very limited success in creating a more flexible and business-like environment, instead re-creating the same rigid and bureaucratic environment found elsewhere in the public-sector. Instead, a new set of regulations for employee affairs should be drafted by the IPC and approved by the Council of Ministers. While this is a complex area for which detailed recommendations are not in the scope of the present study, it is recommended that the new regulations should aim to create an environment more akin to the private-sector, including the elimination of unnecessary bureaucratic controls over recruitment and other employee affairs, an increase in salary scales, and an increased delegation of powers. A Personnel Committee, chaired by the Deputy Director General and with the membership of the four division directors and personnel manager, should be created and delegated the powers to:

- approve the filling of all vacancies within the agreed overall structure of the corporation;

- approve promotions, following consultations with the Director General;

- manage all staff and employment related issues; and

- review all staff related issues and propose documents for the Board on personnel related issues.

The new regulations should be comprehensive, eliminating the need to utilize a default mechanism to refer back to normal Civil Service regulations.

4.3 Procurement of Supplies

Best Practices in Procurement

In most countries, government procurement procedures tend to be rigid and bureaucratic. While most investment promotion agencies are government agencies, accepted best practice dictates that promotion agencies develop more flexible procurement procedures while adhering to general government guidelines.

The Irish public sector procurement procedures are very rigid in the areas of tendering, placing of orders, and value for money. Within the framework of these regulations, the IDA has drawn up its own rules and regulations for procurement. The rules are based on three key principles:

1. good financial and budgetary control;
2. good value for money; and
3. compliance, where required, with State guidelines.

The main constituents of the procedures are:

- the goods and services are necessary;
- the cost represents good value;
- there are budgetary resources available against which the cost can be charged;
- competitive tendering procedures, where required, are adhered to;
- compliance thresholds for approvals are observed;
- appropriate authorizations are obtained;
- correct documentation, such as order forms and payment authorization forms, are completed.

Annex B sets out Forfás' purchasing procedures, which have recently been revised in the light of State and EU requirements. It gives a good example of the type of procedures the IPC should adopt.

IPC Operations: Procurement of Supplies

IPC operations are also constrained in the area of procurement Existing constraints stem from two sources: government-wide procurement procedures and internal IPC rules.

Currently, IPC procurement procedures are governed by the same Supplies Act [Act No. (32) for the year 1993] that governs procurement procedures throughout the public-sector. The Supplies Act imposes several constraints on the IPC, including the need to purchase general supplies from a central General Budget Department and a "special supplies" purchasing limit of JD500 imposed on the Director General, above which he or she must gain approval.[1]

In addition to the government-wide procurement procedures, the IPC has additional internal rules that add unnecessary layers of bureaucracy. For instance, the Supplies Act requires that all purchases valued between JD500 and JD10,000 must be submitted to an internal committee of the Ministry of Trade and Industry for approval, according to Article (16), though all three of its members may be drawn from the IPC. Instead, three separate committees have been formed within the IPC, including one to approve purchases below JD500. Figures 4.1a and 4.1b display the current procedures for the procurement of supplies.

The impact on the IPC is the inability to obtain required supplies in a timely manner. A few examples demonstrate the effect of such procurement procedures. It has been reported that it took approximately six months to obtain an urgently needed photocopier. In addition, after approximately nine months, the IPC has failed to gain approval to purchase health insurance for its employees.

[1] Purchases valued between JD5,000 and JD10,000 must be submitted to a committee of the Ministry of Trade and Industry for approval. All purchases valued above JD10,000 must be submitted to a tenders committee, either centrally within the General Supplies Department or internally, depending on the value.

Figure 4.1a
IPC Procedures for Procurement of Supplies, Approving the Order

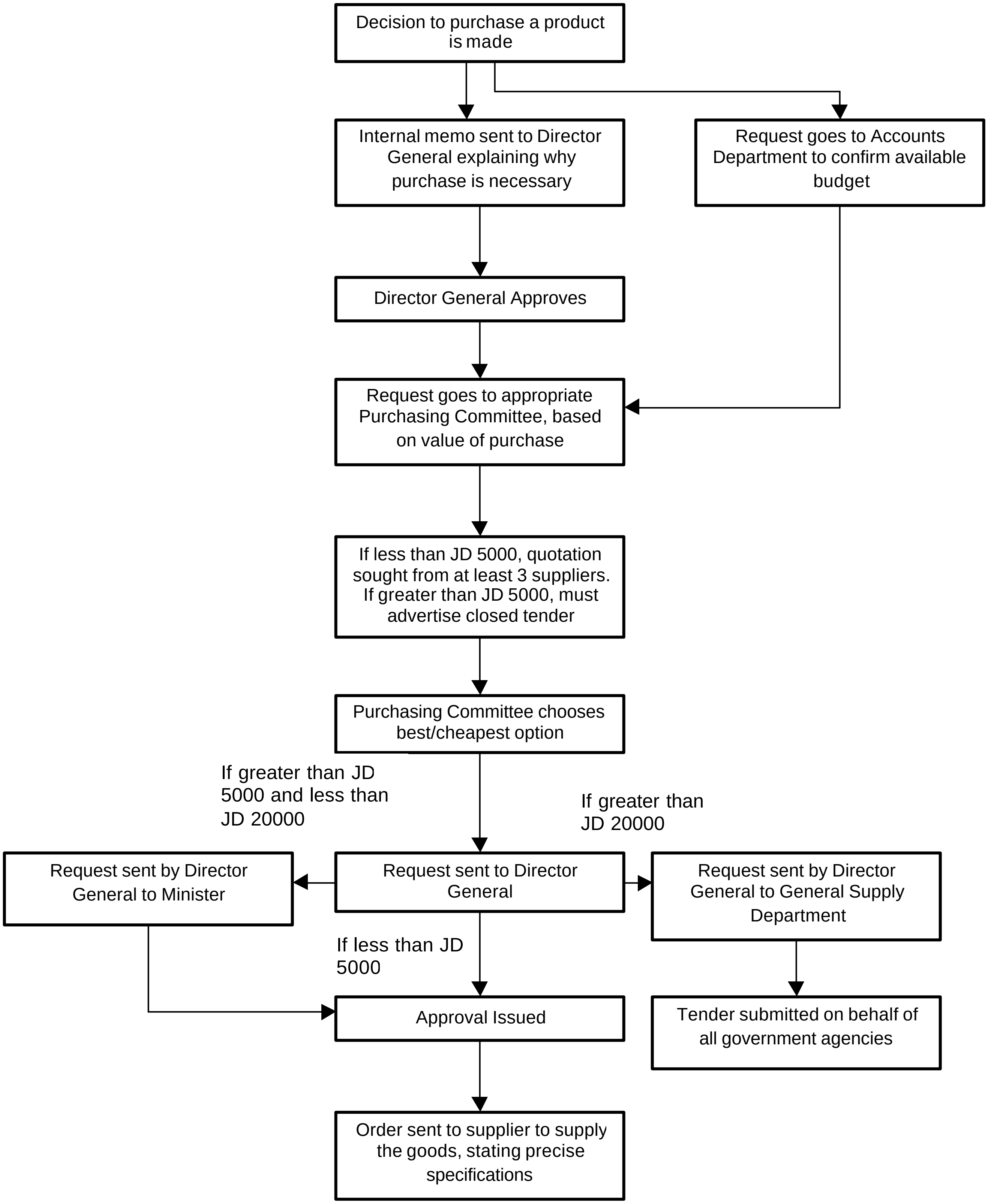
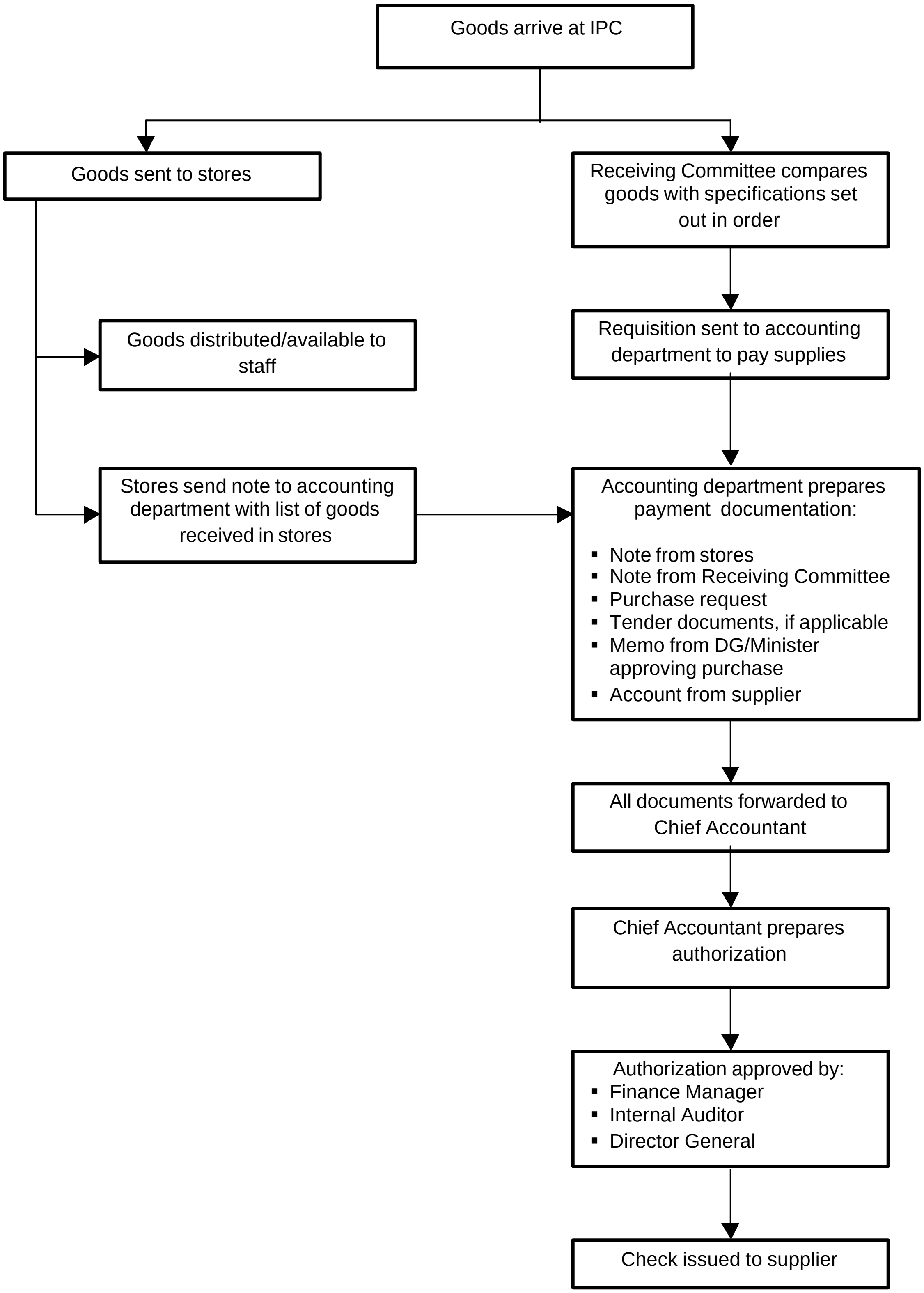


Figure 4.1b
IPC Procedures for Procurement of Supplies, Receiving the Order



Once supplies are ordered, it is an equally cumbersome task to receive the requested goods and issue payment to the supplier, as demonstrated in Figure 4.1b above. Internal rules require that most checks be signed by three or four people, including the Director General or Minister of Trade of Industry.

The impact of all these regulations on the IPC is the creation of unnecessary bureaucratic controls that impede the agency's ability to operate in an efficient and effective manner.

Recommendations for Reform

After almost three years in operation, the IPC has finally begun to draft its own regulations for the procurement of supplies, to be submitted to the Council of Ministers for approval – an example of which is provided in Annex B. It is important that these new procedures do not repeat the same mistakes as the new IPC regulations for employee affairs, *i.e.* the adoption of the same bureaucratic controls and rigidities of existing GOJ regulations.

The new internal rules and regulations should be designed to reduce the administrative burden and increase spending limits. In particular, the numerous internal procurement committees should be collapsed into a single Executive Committee and the spending limits of the Director General and IPC Managers should be raised to more reasonable levels in order to provide the IPC with a more streamlined environment and appropriate delegation of powers that will improve the agency's efficiency.

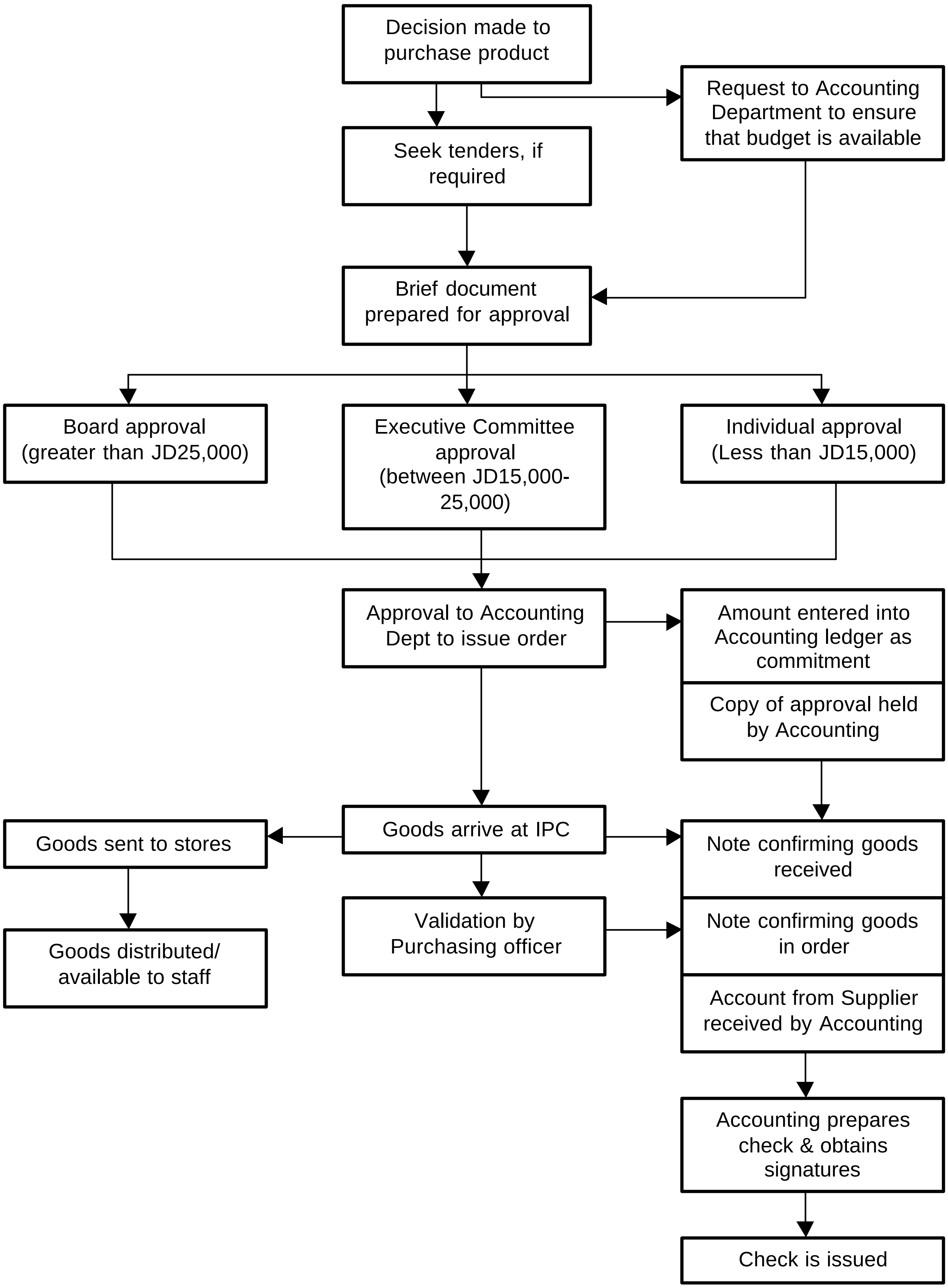
Figure 4.2 presents the proposed procurement process. The key elements of the proposed procedures are:

- The control and management of the IPC's budget are vested in the Board of Directors;

- The Board delegates certain responsibilities as follows:

  - to the Executive Committee: power and authority to approve expenditures of up to JD 25,000. All items in excess of JD 25,000 to be referred to the Board for approval;
  - to the Director General: power and authority to approve expenditures of up to JD 15,000;
  - to the Deputy Director General: power and authority to approve expenditures of up to JD 10,000;
  - to the Divisional Directors: power and authority to approve expenditures of up to JD 5,000.

Figure 4.2
Proposed Procurement Process



As these figures are below those delegated in world class investment promotion agencies, they can be reviewed after one year and *raised* if appropriate.

The introduction of simplified procurement procedures will ultimately lead to simplified financial management. The basic principles that should apply are:

- The IPC, through its Board and in line with Article 13 of the Investment Promotion Law, should have "financial and administrative independence." Accordingly, it should not be required to refer to any outside body for approval of expenditures or to issue checks.

- The requirement to have three signatures, including that of the Minister of Industry and Trade, should be abolished and, instead, two signatures accepted as sufficient. Approval to issue checks should be as follows:

  - Payments up to JD 5,000 to be approved by a Divisional Director, with the Deputy Director General and one Divisional Director (other than the one approving the expenditure) signing the check;

  - Payments up to JD 10,000 to be approved by the Deputy Director General, with the Director of Administration and one Divisional Director signing the check;

  - Payments up to JD 15,000 to be approved by the Director General, with the Deputy Director General and one Divisional Director signing the check;

  - Payments above JD 15,000 to be approved by the Director General, with the Director General and one Board member signing the check.

The above limits should be reviewed after 6 months.

4.4 Internal and External Financial Controls

Best Practices in Financial Controls

In addition to the financial controls connected to purchasing as described above, other internal as well external financial controls can impact the effectiveness of a promotion agency. Best practice dictates that internal and external controls remain as streamlined as possible while, at the same time, they adhere to good governance practices.

It is consistent with good corporate governance to have an internal audit facility. It is normal to have a Committee of the Board established as an Audit Committee with its composition being 3 or 4 Board members. The Committee should review the accounts of the organization and the internal audit reports. The Internal Auditor reports to the Audit Committee and agrees his work program with the Committee. Management should take note of and act on the recommendations of the Internal Auditor as endorsed by the Audit Committee. The Internal audit function is becoming more prominent in corporate management.

In addition to internal controls, it is normal, accepted practice for the accounts of an organization to be audited by a third party. This is equally so for development Agencies. As such agencies are usually attached to the public sector, it normally falls to the relevant Government auditor to audit the development agency. It is also equally acceptable for an independent, private sector company to audit the accounts.

The internal and external audit controls of IDA Ireland provide an example of best practices in financial controls. The IDA has an internal audit section with a full-time Internal Auditor who is a qualified accountant. The Internal Auditor reports to the Secretary of the Board of Directors, but is responsible to the Audit Committee of the Board. A detailed review of all the areas in the agency is carried out with a weighting associated with the level of risk. In January of each year the Audit Committee selects the areas to be audited, which are not disclosed. The Internal Auditor carries out his audit and presents his findings to the Audit Committee. Divisional Managers are requested by the Audit Committee to redress any deficient areas and report back to the Audit Committee with an account of actions taken.

Each year the IDA is audited by the Comptroller and Auditor General's Office – the official government auditor. The auditors check the accounts and records of the agency to ensure compliance with financial procedures, that money has not been misappropriated, and that, in general, the decisions of the agency are in compliance with relevant legislation. An interim audit is carried out aimed at establishing that value for money was obtained in whatever area is selected for audit. Minor indiscretions are reported in a "Management Letter" to the Chief Executive Officer, while more serious issues are reported in the Annual Report of the Comptroller and Auditor General's Office. Issues appearing in the Annual Report of the Comptroller and Auditor General's Office are investigated by the Public Accounts Committee, a committee of Parliament.

IPC Operations: Financial Controls

The IPC's financial management is currently regulated by Regulation No. 3 of 1994, which is applicable to all government agencies. These regulations, while providing for a strong internal and external audit functions, are not in accordance with international best practice. In particular the IPC currently comes under the control of the Government Audit Bureau, which is involved not only in auditing the accounts of the IPC, but is also a part of the procurement procedures. The net result is a system of audits that hamper the effective administration of the IPC.

Recommendations for Reform

In order to bring the IPC up to best practices, it is recommended that new regulations, pursuant to Article (37) of the Investment Promotion Law, be drafted and enacted. In terms of internal audit procedures, the new regulations should provide for:

- the establishment of an Audit Committee as a Committee of the Board, with a representative of the Audit Bureau as one of its members, whose duty it will be to:

  - review the financial transactions of the IPC,
  - ensure best practice is maintained in all financial procedures and ensure compliance with best practice in corporate governance,
  - review the reports of the internal auditor,
  - review the quarterly accounts for submission to the Prime Minister, and
  - review the annual accounts of the IPC for recommendation to the Board;

- the empowerment of the Internal Auditor to undertake audits at the direction of the Audit Committee, in order to ensure compliance with financial rules and procedures and to protect the agency from misappropriation of funds; and

- the establishment of a mechanism, through the Planning Committee, to implement the internal auditor's recommendations.

In terms of external audit procedures, the new regulations should allow for the appointment of auditors from a world class firm, upon the approval of the Prime Minister. As part of the process of gearing-up the IPC to meet the demands that investors will require, it is relevant to make the Corporation comply with the standards that a leading firm of external auditors will lay down. In addition, the quality of the external auditors will ensure compliance with best accounting practice and should make it easier for the Government to allow the required autonomy to the IPC. In addition, the appointment of a private sector firm as the third party auditor will be seen by investors as a positive sign that the IPC is a progressive and pro-private sector agency.

5 Incentives Approvals and Monitoring

5.1 One-Stop Shop Approvals

Best Practices in Investment Approvals

Best practices in investment promotion provide streamlined investment procedures. “One-stop shop” investment agencies, which have the authority and autonomy to screen and approve investments and licenses unilaterally, can minimize bureaucratic delays and eliminate the politicization of investment oversight, to the benefit of both investors and the agency. True one-stop shops, however, are relatively rare. Typically, approvals issued by a one-stop shop automatically trigger approval of all other required permits and licenses. Such institutions are generally viewed by investors as an indication of the host government's commitment to facilitating investment. Conversely, countries which claim to have one-stop shops, but, in fact, subject investors to cumbersome procedures and costly delays run the risk of undermining government credibility.

In Ireland, the IDA is the agency responsible for approving incentives for overseas companies. The agency will assist and facilitate the investor in getting all the relevant permits and permissions required. The service is supplied through a one-stop shop concept where the investor deals with the IDA project executive, who in turn contacts relevant Government departments to get the necessary approvals. The process is simple and Government departments are helpful knowing full well the importance of foreign investment to the country. In addition, the power to approve a project is delegated within the agency, depending on the size of the investment. While the largest projects are submitted to the Cabinet of Ministers for the approval of incentives, smaller projects are approved by an internal committee and minor amendments can be approved by individual staff members.

IPC Investment Approval and Monitoring Procedures

Under the Investment Promotion Law, the IPC may grant two types of incentives to investors, tax holidays and duty-free import of approved fixed assets. While the IPC’s approval and monitoring processes are relatively efficient, they can be further refined as these regulatory functions do divert valuable resources from the agency’s promotional activities.

The Investment Promotion Law provides for the creation of a one-stop shop entity, the “investment window,” which after three years of IPC operations, has finally been implemented through the establishment of the new Facilitation Committee. As discussed in chapter 3, the Facilitation Committee is composed of representatives from relevant government agencies, who are responsible for obtaining approvals from their respective agencies with 15 days of receiving an application. This committee is not, however, responsible for the approval of incentives.

Under the provisions of the Investment Promotion Law the IPC has formed an Investment Promotion Committee to approve the duty scheme offered under the law.[2] Internally the IPC has set up a relatively simple and streamlined procedure to support the Committee's activities, with some delegation of powers.

A Technical Committee has been established within the Services and Facilitation Division to review incentives applications prior to their submission to the Investment Promotion Committee and to offer recommendations to the Committee (on the requested approvals for duty-free fixed assets). The Technical Committee meets bi-weekly while the Investment Promotion Committee meets on a monthly basis to ensure that all incentives are approved within the legislated time frame of 30 days. While the Investment Promotion Committee maintains its authority over the initial approval of incentives, an Administrative Committee has been delegated the authority to approve changes or additions to the list of duty-free fixed assets, without limit, following a request by the investor. In addition, the committees maintain the discretionary power to determine the appropriate levels of fixed assets to approve for a given project.

The IPC also monitors the projects approved for incentives in order to ensure compliance with the Investment Promotion Law. Monitoring is carried out at the discretion of the IPC. A separate committee within the IPC's Services and Facilitation Division has been set up to carry out inspections once the import of all approved fixed assets has been completed.

Recommendations for Reform

As discussed in chapter 3, the new Facilitation Committee represents a significant leap forward and should be given every encouragement to succeed, as it will streamline investment procedures, facilitate inter-agency relations, and strengthen the market position of the IPC by establishing a "one-stop shop" concept. In addition, it reduces the resources that IPC staff must dedicate to following-up on approvals and licenses for investors. The Facilitation Committee's operations should be reviewed after six months to ensure it is working effectively, as intended. In addition, an audit trail of investor contacts with GOJ departments

[2] The tax holiday scheme is determined by industry sector and geographic location and, therefore, does not require committee approval.

after the licenses and approvals are obtained through the Facilitation Committee to ensure that the licenses and permits are fully accepted and to identify what other areas of bureaucracy require attention.

While the IPC's implementation of its mandated regulatory functions is streamlined and efficient, the reform of the duty-free incentives scheme, can reduce the overall burden of its regulatory activities, enabling the IPC to devote more resources to its promotion activities and facilitation services.

In the case of the duty exemption scheme for fixed assets, it has been reported that most investor requests are eventually approved by the Investment Promotion Committee or Administrative Committee. The resources devoted to exercising the Committees' discretionary powers may be better put to use elsewhere in the IPC. Resources could be released with the reform of the duty exemption program by replacing the existing scheme with more transparent and less restrictive provisions for duty exemptions, including the creation of a limited negative list, the removal of restrictions on spare parts, and removal of the floor on expansions. In effect, the approval of incentives would be "automatic", providing for duty exemptions on all fixed assets and spare parts, pending approval of the investment by the Facilitation Committee. The existing monitoring procedures will be sufficient to ensure compliance. Over time, though, such regulatory functions could be transferred to the Customs Department, as long as it can be assured that the required regulatory functions could be executed in an investor-friendly environment.

Similarly, the reform of the corporate tax incentive scheme would further ease the administrative burdens of the IPC. While further analysis would be required to develop an appropriate package of tax incentives, replacing the tax holiday scheme with a low, flat rate of taxation, applicable to all economic sectors, would greatly simplify the investment process and allow the IPC to focus on its primary mission, investment promotion, while, at the same time, offering investors attractive incentives for locating in Jordan.[3] In the interim, the incentives approval and monitoring process could be transferred to the Tax Department, as long as it can be assured that the required regulatory functions could be executed in an investor-friendly environment.

[3] While the precise rate of taxation should be determined following a thorough analysis of the impact of any tax reform on the Jordanian economy, tax rates in many other successful low-tax investment locations range between 10 and 15 percent. For instance, in Hong Kong the tax rate on corporations, regardless of economic sector, is 15 percent. In Ireland, where tax rates have recently been reformed, all new corporations established after January 1, 2003 will pay a low 12.5 percent corporate tax rate.

These reforms would ease the administrative burden of screening and monitoring while, at the same, further streamlining the approval process for investors. The goal should be to relieve the IPC of its regulatory functions within an 18-month period. This would allow the IPC to focus fully on its core mission, the promotion of investment into the Kingdom.

6 Overview of Recommendations for Reform

6.1 Overview

As outlined in the preceding chapters, the IPC's operational environment is constrained by a number of legal and regulatory issues that reduce its efficiency, as well as its effectiveness:

- the institutional framework of the IPC which, in practice, has limited the agency's autonomy and powers;
- an organizational structure with limited delegation of authorities that reduces the agency's efficiency in its investment facilitation, administrative, and regulatory functions.
- administrative procedures and systems that impose the same overly bureaucratic procedures that burden other government departments throughout Jordan; and
- an environment that requires the diversion of scarce resources away from investment promotion toward the IPC's regulatory functions.

3.1 Recommendations for Reform

The foregoing analysis points to several priority areas for the reform of the IPC's legal and regulatory environment:

- The IPC should be repositioned institutionally to provide it with the political support it requires to be effective and maintain the autonomy granted to it by law. Moving the IPC into the Prime Minister's office would provide the leverage it requires to facilitate investment into Jordan.
- The composition of the Board of Directors should be revised to provide for greater private sector participation and should be vested with all the powers required to effectively manage the agency.
- In turn, the Board should delegate its powers downward within the agency – to committees or individual staff positions – to improve efficiency. Various committees, as outlined in chapter 3, should be created the Board to oversee and manage most of the agency's day-to-day activities.
- The IPC should be "ring fenced" and set up as a pilot program for administrative reform. As discussed above, the Investment Promotion Law does provide the opportunity to create a separate regulatory environment for the IPC and remove it from the overly bureaucratic systems that burden other government departments and agencies throughout Jordan.

The opportunity exists to create a more streamlined and flexible environment that provides for an appropriate delegation of powers to and within the IPC.

- The investment incentives provided for in the Investment Promotion Law should be reformed to streamline procedures and increase automaticity. This would both increase the transparency for investors and ease the regulatory burden of the IPC, enabling the shift of scarce resources to the IPC's promotional activities. In the longer run, the IPC should examine the possibility of transferring its regulatory functions to the relevant government departments, if and when it can be assured that these functions will be carried out in an investor-friendly environment. The goal should be to relieve the IPC of its regulatory functions within an 18-month period.

Chapter 7 provides an overview of the legislation that will require amendments or re-drafting needed to implement the above recommendations. Model text for new legislation is provided in Annex A to this report.

7 Legal and Regulatory Reform

7.1 Overview

The following sections provide a summary of the new and amended legislation and regulations that will be required to implement the recommended reforms. The TSG consultants recommend drafting a new law to replace the Investment Promotion Law No. (16) of 1995. The following sections identify the specific Articles of the existing law which will require reform. The enactment of a new law, incorporating these reforms, will enable the IPC to operate with the level of autonomy required to meet its core mission, the promotion and facilitation of investment into the Kingdom.

7.2 Investment Promotion Law No. (16) of 1995

The following articles of the Investment Promotion Law will need to be rewritten to:

- change the institutional structure of the IPC, transferring it to the Prime Minister's Office and providing for a private-sector dominated Board of Directors;
- vest the Board with all the powers required to effectively manage the IPC, including the authority to delegate its powers downwards within the Agency; and
- simplify investment procedures, including obtaining necessary approvals and permits, as well as incentives.

Annex A provides model legal text for these reforms.

Article (2)

In order to transfer the IPC to the Office of the Prime Minister, all references to the "Minister" should be replaced with "Prime Minister".

In order to vest all the powers for managing and administering the IPC in the Board of Directors, which, in turn, will establish and delegate certain authorities to committees within the agency (rather than creating committees by law), all references to the Investment Promotion Committee should be deleted with its powers, instead, vested in the Board.

Article (3)

In order to streamline investment procedures through the introduction of a "negative list", Article 4 should be rewritten to refer to a negative list of prohibited or restricted activities and

	eligibility requirements, rather than a list of "positive activities" in which investment is permitted.
Article (4)	In order to streamline investment procedures and increase flexibility in directing investment to geographical areas and economic sector needy of development: ▪ Paragraph (a) should be rewritten in order for the classification of the geographical areas to be determined by a decision of the Council of Ministers upon the recommendation of the Board and Higher Council, rather than by a regulation; ▪ Paragraph (b) should be rewritten so as to delete reference to any article of the law, based on the rewriting of Article (3) above.
Article (6)	In order to streamline investment procedures, Paragraph (c) should be rewritten so as to empower the Board, on a case by case basis, to exempt from fees and taxes the fixed assets that are required for the expansion of a project without specific reference to a percentage of increase in capacity.
Article (7)	In order to streamline investment procedures Paragraph (b) should be rewritten so as to empower the Board to exempt, on a case by case basis, a project from Income Tax and Social Services Tax for an additional maximum period of four years should such a project be expanded, developed, or modernized, without specific reference to a percentage increase in capacity.
Article (8)	As this provision for hotels and hospitals is rarely used, this article should be deleted, thereby eliminating this exemption for new projects. In addition, Article (35) should be rewritten to insure that all existing projects that benefit from these exemptions continue to enjoy them.
Article (11)	In order to bring a greater degree of private sector representation on the Higher Council, Paragraph (a) should be rewritten to create a Higher Council comprised of eight members from the private sector, to be appointed by the Prime Minister, and six from the public sector. The Director General should be one of its members, whose membership should be counted against whichever sector he or she was recruited. In addition, Paragraph (b) should be rewritten in order for the Higher Council to meet at least every 6 months.

Article (12)	In order to reconstitute the Higher Council as a body designed to *review* and *recommend* investment policy and strategy formulating, rather than policy-making body, each paragraph should be rewritten to replace "approving" with "recommending".
Article (13)	In order to transfer the IPC to the Office of the Prime Minister, Paragraph (a) should be rewritten to this effect and Paragraph (b) should be rewritten so as to allow the Council of Ministers to appoint the Director General.
Article (14)	In order to streamline investment procedures, Paragraph (c) should be rewritten so as give the IPC the responsibility for obtaining all necessary licenses on behalf of the investor, through an "investment window". This paragraph should also be rewritten so as to provide for a default mechanism – applications that have not been denied within a 30-day period should be deemed automatically approved. In addition, this article should be rewritten with an additional paragraph, providing it with the responsibility for generally undertaking necessary actions to promote Jordan as an investment location.
Article (15)	In order to streamline investment procedures and increase flexibility, this article should be rewritten so as to vest responsibility for funds in the Board, who will be fully accountable for them. In addition, Paragraph (b) should be rewritten so as to have the Board issue *instructions* (versus regulations) for all fees for services.
Article (16)	In order to increase the IPC's autonomy, this article should be rewritten with additional paragraphs providing: ▪ for the IPC's funds to be managed and disposed of by a resolution of its Board, thereby allowing the Board to determine the signature matrix (for expenditure approvals and check signings) for the IPC; and ▪ that the IPC will not be subject to the provisions of the Audit Bureau Law and that its accounts shall be audited by an audit firm appointed by the Council of Ministers.

Article (17)	In order to increase private sector representation on the IPC Board, Paragraph (a) should be rewritten to create a Board of Directors consisting of 12 members, to be appointed by the Prime Minister, provided the Director General is among them, including seven from the private sector and five from the public sector. The Director General should count toward the public sector. In addition, Paragraph (b) should be rewritten so as to require that the Board meets at least once per month.
Article (18)	In order to vest the Board with all the powers required to manage and administrate the IPC's activities, several paragraphs should be added so as to provide the Board with: ▪ the power to approve all expenditures of the IPC; ▪ the power to propose regulations for the implementation of the provisions of this law; ▪ the power to issue the required instructions to classify or qualify Projects eligible for exemptions under this law; ▪ power to obtain, on behalf of investors, all licenses and approvals; ▪ all the powers currently provided for in Article (22) of the law, including the power to: - review all applications for investment incentives, - approve additional exemptions pursuant to this law, and - review all objections; and ▪ the power to delegate any of its powers to Committees established by the Board or to individual positions within the IPC.
Article (20)	In order to vest Board with all necessary powers to run the IPC, including the right to delegate its powers downward within the agency, Paragraph (d) should be rewritten to read "determined *or delegated*".
Article (21)	In order to vest all powers required to run the IPC in the Board, including the right to create committees within the IPC (versus creating them by law), this article should be deleted in its entirety.

Article (22)	In order to vest all powers required to run the IPC in the Board, this article should be deleted and all powers currently listed therein should be included in Article (18) above.
Article (24)	In order to streamline investment procedures and increase flexibility in directing investment to geographical areas and economic sector needy of development, this article should be rewritten to allow for a negative list to be issued by the Council of Ministers. In addition, it is recommended that any restrictions put on foreign ownership be included in the negative list rather than by regulation.
Article (29)	In order to streamline investment procedures, this article should be rewritten so that a company resulting from a merger would benefit from the exemptions granted to the individual companies before the merger, with the longer period of exemption applicable.
Additional Articles	In order to increase the IPC's autonomy and ensure that the authorities provided for in this law or not stripped away by other legislation, the law should be rewritten with the following provisions: ▪ The law shall apply notwithstanding any other prior or subsequent legislation, unless provided by specific and express amendment to this law; ▪ The IPC is empowered with the full authority to carry out all functions and powers specified in the law, and all other laws limiting its powers shall be amended; and ▪ Regulating the IPC's collection of fees that are due for licenses and registrations and remittance of the same to the Treasury.
Issuance of Regulations Pursuant to Article (37) of the Law	In addition to the above, pursuant to Article (37) of this law, the Council of Ministers should draft, upon recommendation of the IPC, regulations for financial control and procurement of supplies, specially tailored for the needs of the IPC. In addition, the Regulation of the Investment Promotion Corporation's Employees No. (24) of 1994 should be amended so as to regulate all matters not provided for in the existing regulation and to explicitly exempt the IPC from the provisions of the Civil Service Ordinance.

Other Regulations Issued Pursuant to the Law

Regulations No. (2) of 1996 (Regulation of the Investment Areas and Sectors) and No. (39) of 1997 (Non-Jordanian Investments Promotion Regulation) should be revoked in accordance with the recommended amendments to the Investment Promotion Law, which instead provides for the issuance of a “negative list” of activities and the classification of geographical areas by a notification of the Council of Ministers.

7.6 **Other Applicable Laws and Regulations**

In addition to the Investment Promotion Law, other laws and regulations will require amendments in order to provide the IPC with a greater degree of autonomy and to streamline investment procedures and inter-agency and inter-Ministry relations.

Companies Law No. (22) of 1997

It is recommended that Article (7) of the Companies Law No. (22) of 1997 be amended to allow for the Projects (as defined in the IP Law), should they take the form of a company, to allow for the IPC to forward the documents on approved projects to the Registrar for automatic approval.

Vocational Licenses Law No. (38) of 1972

It is recommended that Paragraph (3) of Article (2) of the Vocational Licenses Law No. (38) of 1972 be amended to include the Director General of the IPC in the definition of the term “Mayor”. Such amendment shall grant the IPC Director General the authority to issue vocational Licenses to Projects.

Chambers of Commerce Regulation No. (58) of 1961

It is recommended that Article (6) of the Chambers of Commerce Regulation No. (58) of 1961 be amended to allow registration of Projects as members in the relevant Chambers of Commerce through the IPC.

Chambers of Industry Regulation No. (59) of 1961

It is recommended that Article (9) of the Chambers of Industry Regulation No. (59) of 1961 be amended to allow registration of Projects as members in the Chamber of Industry through the IPC.

Industry and Trade Law No. (18) of 1998

It is recommended that Article (4/a/3) of the Industry and Trade Law No. (18) of 1998 provide that an “Industrial Record” shall be kept for the Industrial Projects in the Kingdom according to instructions to be issued by the Minister of Industry and Trade.

Furthermore, Article (5) of the same Law provides that Industrial Companies shall not be registered in the Companies register nor shall individual corporations be registered in the Commercial record unless same were registered in the Industrial Record provided in Article (4/a/3) above.

Up to this date no instructions have been duly issued. A draft instruction has been circulated though for the purposes of acquiring comments thereupon from related entities. Accordingly, it is recommended that the instruction in question be amended to create an Industrial Record in IPC for the purposes of registering Industrial Projects, in compliance with the law, and in cooperation with the Ministry of Industry and Trade.

Commercial Record Regulation No. (130) of 1966

It is recommended that Paragraph (5) of Article (2) should be amended to include the Director General of the IPC in the definition of the term “Secretary of the Record”. Such amendment shall allow registration of Projects in the Commercial Record through IPC.

Trademarks Regulation No. (1) of 1952

It is recommended that Article (13) of the Trademarks Regulation No. (1) of 1952 be amended to entitle the Projects to submit the applications for registration of their Trademarks in IPC. This shall be limited to trademarks to be registered at the licensing stage.

Tradenames Law No. (30) of 1953

It is recommended that an Article be added to the Tradenames Law No. (30) of 1953 to allow the Projects to submit the applications for registration of their Tradenames in IPC. This shall be limited to tradenames to be registered at the licensing stage.

Patent Law No. (22) of 1953

It is recommended that Article (3/4) of the Patent Law No. (22) of 1953 be amended to entitle the Projects to submit the applications for registration of their Patents in IPC. This shall be limited to Patents to be registered at the licensing stage.

Labour Law No. (8) of 1996

It is recommended that Article (12/a) of the Law be amended to give the General Director of IPC the authority to issue work permits for foreign workers in cases where the Labour Law No. (8) of 1996 permits same. The above-delineated authority should only be used should the Project require to engage foreign labor at the time of its licensing. Issuing work permits of the kind at later stages shall remain the responsibility of the Minister of Labour. Furthermore, renewal of work permits shall also be carried through the existing channels.

If such powers are not granted, it is recommended that existing procedures be reviewed in order to ensure that they are as investor-friendly as possible.

Residency and Foreigners' Affairs Law No. (24) of 1973

It is recommended that Article (3) of the Residency and Foreigners' Affairs Law No. (24) of 1973 be amended to establish a Bureau of the Public Security Department/ Residency and Foreigners' Affairs' in the IPC and to grant it the power to issue residency permits for those foreign workers employed by the Project at the time of its registration.

If such powers are not granted, it is recommended that existing procedures be reviewed in order to ensure that they are as investor-friendly as possible.

Landlords and Tenants Law of 1994

It is recommended that an amendment be made to Article (8) of the Landlords and Tenants Law of 1994, which stipulates reciprocity for application of the renewal of lease contracts by operation of law on foreigners by way of deletion the condition in question.

The Law of Sale and Lease of Immovable Property to Foreign Nationals No. (40) of 1953

It is recommended that Article (2) of the Law of Sale and Lease of Immovable Property to Foreign Nationals No. (40) of 1953 be amended so as no approval of the Council of Ministers be required for any lease contract in which the tenant is a Project. Alternatively, it is recommended that the Director General be given the authority to recommend approval of the lease under study should it involve a Project.

Water Subscription Regulation No. (67) of 1994

It is recommended that Paragraph (5) of Article (2) of the Water Subscription Regulation No. (67) of 1994 be amended to entitle the Projects to submit the applications for water subscription in the IPC. This shall be limited to subscriptions at the licensing stage.

Regulation for Connection Application Fees and Public Sewage Benefit Fees No. (41) of 1986

The Regulation for Connection Application Fees and Public Sewage Benefit Fees No. (41) of 1986 does not define in any of its provisions the authority to which application for connection and thus benefit from public sewage should be submitted. It is recommended that the regulation be amended by adding a provision by which the Project could submit the application in question in the IPC.

Stamp Duties Law No. (27) of 1952

It is recommended that Article (4) of the Stamp Duties Law No. (27) of 1952 be amended to provide that the Minister of Finance may issue an order pursuant to which Stamp Duties that are due on Documents to be used by Projects at the time of licensing may be collected by the IPC accountant.